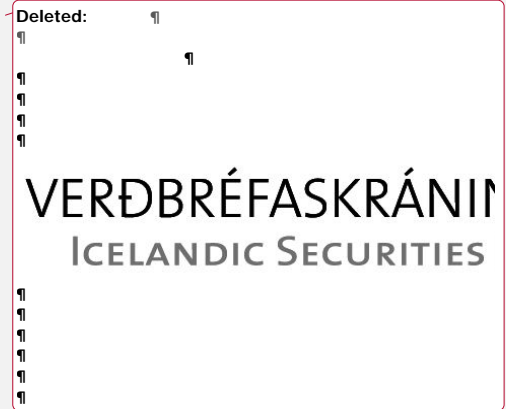


1 September, 2017

Nasdaq CSD Iceland hf.

**RULES**  
OF NASDAQ CSD ICELAND



Deleted: Revised January 2014



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# 1 General provisions

## 1.1 Law and regulation basis

1.1.1 These rules (hereinafter “the Rules” or “these Rules”) are issued by Nasdaq CSD Iceland in accordance with Act No. 131/1997 on Electronic Registration of Title to Securities (hereinafter “Act No. 131/1997”), Regulation No. 397/2000 on Electronic Registration of Title to Securities in a Central Securities Depository (hereinafter “Regulation No. 397/2000”), which was made on the basis of Act No. 131/1997, and Act No. 90/1999 respecting the Security of Transfer Orders in Payment Systems (hereinafter “Act No. 90/1999”).

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## 1.2 Entry into effect, publishing and amendments

1.2.1 Nasdaq CSD Iceland may make amendments to these rules and appendices thereto. The parties that have entered into an agreement of association or an issue agreement with Nasdaq CSD Iceland shall, as far as possible, be notified of all amendments four weeks before they take effect. Nasdaq CSD Iceland is, however, authorised to depart from the aforementioned time limit under special circumstances.

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1.2.2 A notification posted on Nasdaq CSD Iceland’s website is considered to meet the conditions specified in provision Error! Reference source not found, with regard to notifying parties of amendments to these Rules.

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## 1.3 Definitions and abbreviations

1.3.1 **Account:** An account in Nasdaq CSD Iceland’s system containing a record of the final entries of an account holder of electronic security certificates and used to manage electronic issuance of securities and an account holder’s title to electronic security certificates.

1.3.2 **Account holder:** The registered owner of a VS account created by an account operator in accordance with these Rules.

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Deleted: , provided that conditions in articles 10 or 11 of Regulation no. 397/2000 have been met. Account holders can be any natural and legal persons that are entitled to legal rights.

1.3.3 **Account operator:** An enterprise or institution which, on the basis of an agreement of association with Nasdaq CSD Iceland, serves as an

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intermediary in the registration of title to electronic security certificates in Nasdaq CSD Iceland's system.

1.3.4 **Agreement of association:** A contract between Nasdaq CSD Iceland and an account operator, the issuer of market securities according to the third paragraph of Article 11 of Act No. 131/1997, a foreign central securities depository or account operator according to point 1 of second paragraph of Article 12 of Act No. 131/1997. An agreement of association is required for aforementioned parties to be able to intercede in registering title to securities or accessing a central securities depository, cf. first paragraph of Article 11 of Act No. 131/1997.

1.3.5 **Allocation account:** An account in a securities settlement system on which matched transfer orders are kept in the names of the account operators until an account operator has allocated a transfer order for settlement.

1.3.6 **Electronic security certificate:** A transferable, electronically registered security, cf. Article 2 of Act No. 131/1997.

1.3.7 **Final entry:** Entry of registration in Nasdaq CSD Iceland's system upon settlement finality.

1.3.8 **IP address:** A unique identity for computer connections used by an account operator for connections to Nasdaq CSD Iceland's system.

1.3.9 **Issue agreement:** An agreement between the issuer and Nasdaq CSD Iceland on the electronic issuance of securities (electronic security certificates).

1.3.10 **Issue description:** A description of the identity and terms of securities to be issued in Nasdaq CSD Iceland's system.

1.3.11 **Main contact:** An account operator's specified employee who handles communications with Nasdaq CSD Iceland regarding, e.g., access to Nasdaq CSD Iceland's systems and any changes regarding users and other aspects requested by the account operator.

1.3.12 **Matched transfer orders:** Transfer orders that have been received by the TRS system and have been matched together on the basis of conditions regarding the matching of transfer orders.

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Deleted: <#>Member of a stock exchange: A party having the right to submit bids and accept offers for securities on a stock exchange, cf. article 14 of the Act on Activities of Stock Exchanges and Regulated OTC Markets, no. 110/2007

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Pledgee

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Deleted: <#>the VS-system in accordance with notifications sent to it by an account operator, cf. article 2 of Act no. 131/1997.

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VS: Icelandic Securities Depository Ltd. VS carries all rights of an account's operator within the VS-

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VS-account: A list of final entries of an account holder of electronic security certificates in a central securities depository, cf. article 2 of Act no. 131/1997. ¶

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Deleted: , cf. article 4 of Regulation no. 397/2000

1.3.13 **Matched transfer orders irrevocable:** Matched transfer orders are considered to become irrevocable upon settlement finality, i.e. when the matched transfer orders are settled finally and the settlement becomes irrevocable, cf. provision 5.4.6.

1.3.14 **Nasdaq CSD Iceland's system or "the system":** The securities settlement system and the TRS system collectively.

1.3.15 **Negative position:** When the balance of electronic security certificates on an account is insufficient to complete a settlement of matched transfer orders.

1.3.16 **Netting:** Transforming many claims or commitments, resulting from transfer orders given or received by one or many account operators into one claim or commitment so that only one (net) claim or commitment regarding payment or payment obligation of an account operator remains.

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1.3.17 **Payment instruction:** Instruction to pay or receive cash against delivery or receipt of electronic security certificates.

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1.3.18 **Pledgee:** A holder of a lien/security interest.

1.3.19 **Pledgor:** A holder of an electronic security certificate that has been pledged as security.

1.3.20 **Registration:** Issuing of electronic security certificates in Nasdaq CSD Iceland's system and registration of title to them, cf. Article 2 of Act No. 131/1997.

Deleted: **Preliminary account:** An account (list) in the VS-system where transactions with electronic security certificates in a stock exchange are registered temporarily until an account operator registers information about the final buyer/seller.¶

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Deleted: **Prospectus:** A description of the identity of a securities category in accordance with the provisions of Regulation no. 434/1999, on the official registration of securities in a stock exchange.¶

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1.3.21 **Securities Settlement Account:** A specific account in the Real-Time Gross Settlement (RTGS) system of the Central Bank of Iceland used for financial settlement of securities transactions.

1.3.22 **Securities settlement system:** A securities management and settlement system owned and operated by Nasdaq CSD Iceland. The securities settlement system is used to manage the electronic registration of title, receive matched transfer orders from the TRS system and settle transactions in electronic security certificates between account operators.

1.3.23 **Settlement agent:** An account operator that has access to the Real-Time Gross Settlement (RTGS) system of the Central Bank of Iceland, manages

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securities settlement accounts for itself and performs financial mediation for settlements in the Central Bank's RTGS system on behalf of account operators that are not settlement agents.

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1.3.24 **Settlement day:** The day (S) on which the settlement finality of a transaction in electronic security certificates takes place.

**Deleted:** This operator settles transfer orders from account operators and provides loans for that purpose as needed.

1.3.25 **Settlement finality:** The full and final settlement of matched orders in accordance with provision 5.4.6, cf. also "Matched transfer orders irrevocable".

**Deleted:** <#>**Settlement account:** A bank account used for storing deposits for transfer settlements between participants in a payment system.¶  
¶  
**System:** A formal arrangement between three or more participants based

**Moved (insertion) [3]**

1.3.26 **Transfer order:** An order sent electronically by an account operator to the TRS system and meeting the conditions of Act No. 90/1999. The transfer order contains information on the account holders and transactions necessary for the completion of payment.

**Deleted:** mutual rules and a standardized arrangement for executing transfer

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**Deleted:** in payment systems, no

1.3.27 **Transfer order allocation:** An action whereby an account operator specifies the account from/to which electronic security certificates are to be transferred under a particular transfer order.

**Deleted:** <#>**Transfer orders:** Any orders from a participant stating that a receiver mentioned therein is to receive payment by transferring a specified amount into an account in an organization, central bank, or an accounting party, or any instruction that commit him to or release him from an obligation to render payment as further specified in the rules of the payment system. Also any instructions from a participant to transfer any direct or indirect proprietary rights to securities by electronic registration, or other such instructions. ¶  
¶  
¶  
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1.3.28 **Transfer order deallocation:** An action that cancels the allocation of a transfer order.

1.3.29 **Transfer order irrevocable:** The point in time at which a party becomes no longer able to revoke a transfer order unilaterally, cf. provision 5.3.6 and Act No. 90/1999.

1.3.30 **Transfer order's moment of entry into the system:** The time at which the transfer order is considered to have entered the system within the meaning of provision 5.3.6, cf. Act No. 90/1999.

1.3.31 **TRS system:** A system (matching system) operated by Nasdaq CSD Iceland that receives and matches transfer orders from account operators for transactions in electronic security certificates that are to be settled between parties in the securities settlement system.

## 2 Account operators

### 2.1 Rules of Association

2.1.1 The parties enumerated in Article 10 and number 1 of second paragraph of Article 12 of Act No. 131/1997 are authorised to act as intermediaries for making proprietary registrations in Nasdaq CSD Iceland's system, and be considered account operators provided that requirements in this section are met.

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**Deleted:** By undertakings in securities services according to number 4 of article 10 of Act no. 131/1997 is meant undertakings that are authorized to manage trust funds according to the Act on securities transactions, no. 108/2007.

#### Application

2.1.2 Applications for participating in Nasdaq CSD Iceland's system shall be made in writing. The application shall contain:

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1. Name, address and ID number of a legal person.
2. Name, address and ID number of the manager.
3. Names of board members, their ID numbers, and addresses.
4. Names of chartered accountants, their ID numbers, and addresses.
5. Confirmation by a competent authority in the legal person's home country of the licence of the legal person to engage in transactions in and services regarding financial instruments, and of the activities covered by the licence, if applicable.
6. All branches of the legal person that will be connected to Nasdaq CSD Iceland's system.
7. Account operators must complete a self-certification (and provide a GIIN where applicable) to confirm their FATCA and/or CRS classification ensuring that they are compliant with both FATCA and CRS. The account operator must immediately inform Nasdaq CSD Iceland of any change in circumstance that may affect its FATCA and/or CRS classification.

**Deleted:** of permission to practice securities brokerage

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2.1.3 Nasdaq CSD Iceland may require the submission of further documents or information that may be relevant to an application for membership ("association") of its system.

2.1.4 Nasdaq CSD Iceland will decide on the application within two months from receiving a completed application. Nasdaq CSD Iceland will announce its decision in writing. Reasons shall always be presented when declining applications. Before deciding on an application based on number 1 of second paragraph of Article 12 of Act No. 131/1997 (foreign account operator or depository), Nasdaq CSD Iceland shall seek the

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approval of the Financial Supervisory Authority before consenting an application, cf. third paragraph of Article 2 of Regulation No. 397/2000.

### Requirements for association

2.1.5 An account operator shall before signing an agreement of association, as well as afterwards, meet the following requirements:

1. Have signed an agreement of association with Nasdaq CSD Iceland.
2. In the case of a financial undertaking falling under points 3-5 of Article 10 of Act No. 131/1997, it must be authorised to execute orders on behalf of clients.
3. Have appointed the contacts mentioned in appendix 1 to the agreement of associations and kept the list updated while the agreement of association is valid.
4. Have ensured that the employees who at each time have access to Nasdaq CSD Iceland's system fulfil the conditions stated in chapter VI of Regulation No. 397/2000.
5. Have provided information demonstrating that all connections relating to Nasdaq CSD Iceland's computer system and security arrangements relating thereto meet Nasdaq CSD Iceland's standards and are otherwise in accordance with the provisions of chapter 2.2.
6. Have established rules on the treatment of confidential information.
7. An account operator that is a settlement agent shall enter into an agreement on membership to the RTGS system of the Central Bank of Iceland for securities settlements. A confirmation that such an agreement has been concluded shall accompany the application.
8. An account operator that is not a settlement agent must submit a settlement agent's signed confirmation of access to settlement in the Central Bank's RTGS system.

### Defaults and termination of association

2.1.6 Should an account operator fail to fulfil requirements of laws, regulations, these Rules or the agreement of association, it shall immediately notify Nasdaq CSD Iceland and explain why.

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- Deleted:** according to appendix 3 to the agreement of association shall fulfill
- Deleted:** Information regarding technical connection to the VS-
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Rules on
- Deleted:** in accordance with Act no. 108/2007, on security transactions, shall be set.
- Deleted:** <#>Rules of procedures which fulfill VS standards shall be set within three months from signing an agreement of association. ¶  
Provision 2.1.5 on participation in the guarantee fund or a settlement agent's declaration shall be fulfilled. ¶  
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**Guarantee fund or settlement agent's declaration** . . . ¶  
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- Deleted:** , shall obtain a written declaration from a settlement agent which is party to a guarantee fund for netting. A confirmed copy of the declaration shall be included with the account operator's application to the board of VS
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2.1.7 Should an account operator fail to comply with provisions of law, regulations, these Rules or the agreement of association, Nasdaq CSD Iceland is authorised to:

1. Fine the account operator according to the Nasdaq CSD Iceland's fee schedule.
2. Request improvements be made within a set time limit, under penalty of daily fines according to the Nasdaq CSD fee schedule.
3. Temporarily suspend the account operator's access to Nasdaq CSD Iceland's system.
4. Terminate the agreement of association. Should Nasdaq CSD Iceland decide to terminate the participation, it shall specify from what time the termination takes effect. Nasdaq CSD Iceland is authorised to terminate the agreement immediately and to suspend the account operator's access to Nasdaq CSD Iceland's system, should the account operator violate the aforementioned provisions in a repeated or serious manner in Nasdaq CSD Iceland's assessment.

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2.1.8 Should an account operator wish to resign its association, it shall do so in writing with a six months' notice from end of month, or sooner if agreed upon.

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2.1.9 Should an account operator decide on a merger with another account operator, or make other decisions that can affect its structure or operations in another manner, it shall send Nasdaq CSD Iceland a notification thereof with an enclosed report. Nasdaq CSD Iceland reserves a right to review the account operator's participation and ask for appropriate information.

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2.1.10 The agreement of association is automatically cancelled in the event of the following:

1. The operating license of the account operator expires or is revoked by a competent authority.
2. The account operator undergoes bankruptcy proceedings, a petition has been filed for bankruptcy of the account operator, an unsuccessful attachment has been made at the account operator, a petition has been made for suspension of payments by the account operator, or other clear indications exist of the insolvency of the account operator.
3. Other events, not specified in point 2, that could compromise registration of title in Nasdaq CSD Iceland's system.

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2.1.11 Decisions on termination of association or sanctions under Error! Reference source not found, shall be well reasoned and the relevant party shall be notified in writing.

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2.1.12 When the termination takes effect, Nasdaq CSD Iceland unilaterally closes the account operator's access to Nasdaq CSD Iceland's system.

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Deleted: In other respects, the provisions of 2.2.16 apply.

## 2.2 Access to Nasdaq CSD Iceland's system

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### General matters

2.2.1 Nasdaq CSD Iceland operates a designated securities settlement system under Act No. 90/1999. Account operators and others have access to Nasdaq CSD Iceland's systems under an agreement to that effect. Nasdaq CSD Iceland's systems are open to registration of title on all business days from 08:30 to 17:00 hours. Nasdaq CSD Iceland may change the above opening hours when exceptional circumstances so warrant in its opinion. Nasdaq CSD Iceland reports to account operators any deviations from the above opening hours and any temporary non-operability of its systems.

Deleted: VS

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Deleted: <#>VS provides an account operator with the necessary software for connection with the VS-system. An account operator provides connections with the VS-system, including lines and equipment between his place of operation and VS and is responsible for monitoring and guarding the connections. ¶

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### Software, etc.

2.2.2 An account operator is responsible for the safety of the connections according to generally accepted requirements for the safety of software, databases and external computer communications at each time, including the access and operation by its employees, and protection from access and operation of a third party. Should Nasdaq CSD Iceland consider that the requirements in this Article are not fulfilled by an account operator, or if an account operator is for some reason incapable to fulfil the requirements, it shall notify Nasdaq CSD Iceland immediately and make arrangements for improvements.

2.2.3 An account operator's access to Nasdaq CSD Iceland's system is access to the current version of Nasdaq CSD Iceland's system at each time. Nasdaq CSD Iceland is authorised to produce new and/or changed versions of Nasdaq CSD Iceland's system and equipment connected to it, as the system develops, and users are under obligation to implement them at the time required and in accordance with instructions from Nasdaq CSD Iceland. Older versions shall thereby be considered invalid and their use prohibited.



2.2.4 An account operator's access to Nasdaq CSD Iceland's system involves, firstly, that the account operator has the right and obligation to create accounts and to act as an intermediary in registering proprietary rights to them, and secondly to provide owners of rights with information about registered titles, and the account operator's use shall be in accordance with such use. An account operator is prohibited from changing the system or using it in any manner that does not comply with Nasdaq CSD Iceland's interests or the owners of titles registered therein. An account operator has no authority to give a third party access to Nasdaq CSD Iceland's system without prior consent by Nasdaq CSD Iceland. An account operator is not authorised to change equipment supplied by Nasdaq CSD Iceland.

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### Access permissions

2.2.5 The main contact of an account operator that has entered into an agreement of association with Nasdaq CSD Iceland is responsible for applying for access permissions to the system.

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2.2.6 On the basis of an access permission, Nasdaq CSD Iceland assigns a user ID and an password to an employee, which may not be used by other employees of the account operator. If the account operator's access permission to Nasdaq CSD Iceland's system is via a central operating system of the account operator (system access) the account operator shall limit the access to those employees that need it for their work.

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2.2.7 An account operator shall notify any changes in staff according to **Error! Reference source not found.** immediately to Nasdaq CSD Iceland. Nasdaq CSD Iceland then issues a new user ID and an password.

Deleted: specify the names and ID numbers of all employees that will receive access according to 2.2.7 in the agreement of association, as well as the extent of each employee's access. ¶  
¶  
An account operator shall report

2.2.8 An account operator guarantees that those employees that it wants to give access to Nasdaq CSD Iceland's system have the necessary knowledge of the system, and of the law and regulations on electronic registration of title to securities in effect at each time.

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### IP addresses

2.2.9 An account operator shall provide Nasdaq CSD Iceland with the IP addresses that the account operator wants access to the system for. Any use of IP addresses is the responsibility of the account operator, and the

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account operator shall be able to trace any use of the IP address to the employee using the IP address.

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### Reconciliation

2.2.10 An account operator shall store in its own system all electronic registrations of titles to electronic security certificates that it makes in Nasdaq CSD Iceland's system and make copies of them.

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2.2.11 An account operator retrieves a reconciliation file which Nasdaq CSD Iceland prepares, and contains all registrations that the account operator makes in the system. The account operator reconciles the registration entries with the requests and data they are based on. Should there be any inconsistencies between the reconciliation file and the registration entries that the account operator has registered according to the aforementioned date, the account operator is obligated to correct them.

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### Other matters

2.2.12 Information passed between an account operator and Nasdaq CSD Iceland regarding, e.g., software, access by individual users, and safety issues of the account operator, shall be treated as confidential between the account operator and Nasdaq CSD Iceland. The obligation to observe confidentiality remains after the account operator's membership to Nasdaq CSD Iceland is withdrawn.

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2.2.13 If Nasdaq CSD Iceland has reasonable suspicion that an account operator is violating the rules of section Error! Reference source not found., Nasdaq CSD Iceland is authorized to access all systems, data, documents and other such items from the account operator that Nasdaq CSD Iceland deems necessary for investigating whether a violation has occurred or whether there is risk of such a violation being made. The account operator is also under obligation to provide any information requested under such an investigation.

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Deleted: <#>If an agreement of association with an account operator is terminated, the account operator shall return the software it was provided with for the VS-system, as well as all data/files that are bases for registration of proprietary rights on VS-accounts created by the account operator as long as other account operator hasn't taken over its rights and obligations. VS is authorized to appoint an independent party to make sure that all the aforementioned data is returned, and to supervise such a return. ¶

## 2.3 Rights and obligations of account operators

### Creating an account

2.3.1 The condition for creating an account for an individual are stipulated in the first paragraph of Article 10 of Regulation No. 397/2000. The condition for creating an account on behalf of a company or other parties having legal rights and obligations are stipulated in the second paragraph of Article 10 of Regulation No. 397/2000. The condition for creating an account for an individual that has neither residence in Iceland nor an Icelandic ID-number or on behalf of a company or other parties having legal rights and obligations, and which do not have a registered office in Iceland nor an Icelandic ID-number are stipulated in the third and fourth paragraphs of Article 10 of Regulation No. 397/2000.

2.3.2 An account operator is authorised to create accounts without inspecting personal identification papers according to Article 10 of Regulation No. 397/2000 if the conditions of Article 11 of Regulation no 397/2000 are fulfilled.

2.3.3 An account operator creates new accounts in Nasdaq CSD Iceland's systems. The notification of the creation of the new account shall at a minimum disclose the following:

1. Name, address and ID number of the account holder.
2. The name or names of joint owners when applicable.
3. Name of a legal guardian or representative when applicable.
4. Account type.

2.3.4 An account operator is responsible towards Nasdaq CSD Iceland for compliance at any time with the provisions of law and rules concerning the collection of information from parties for whom accounts are created. The account operator shall if requested demonstrate that the necessary investigation of personal identification or legitimate documentation (certificates) of the establishment of legal entities, as applicable, has been carried out upon the creation of an account and shall provide Nasdaq CSD Iceland with access to the underlying documents, cf. point 1 of Article 12 of Regulation No. 397/2000.

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## Nominee registration

2.3.5 An account operator that chooses to register a customer's holding on a nominee account must deliver to Nasdaq CSD Iceland a copy of the authorisation, granted by the Financial Supervisory Authority, to maintain nominee accounts in accordance with the Act on Security Transactions No. 108/2007 and Regulation No. 706/2008 on Nominee Registration and the Custody of Financial Instruments in Nominee Accounts.

## Transfer of electronic security certificates

2.3.6 An account operator is allowed to transfer electronic security certificates from an account managed by Nasdaq CSD Iceland to an account under its own supervision if one of the following permissions is available:

1. A request from the owner of the electronic security certificate.
2. Custodial authority from the owner of the electronic security certificate.
3. The pledgee or the owner of other limited rights shall hand out to an account operator documents which the account operator, having investigated the documents, is of the opinion are sufficient. The account which is created for that purpose shall be in the name of the pledgee (or the one that the restriction is aimed at).

2.3.7 If an account operator cannot provide sufficient explanations for a transfer of electronic security certificates according to provision Error! Reference source not found. Nasdaq CSD Iceland is authorised to impose sanctions on the account operator under provision Error! Reference source not found.

2.3.8 An account operator shall immediately, upon request from an account holder, transfer electronic security certificates in possession of the account holder into his account within another account operator. The account operator which takes care of the transfer shall without delay inform the account operator in question about the transfer. An account operator is not permitted to transfer electronic security certificates to an account managed by Nasdaq CSD Iceland unless it is ensured that the certificates will be retrieved by another account operator.

**Deleted:** <#>When a VS-account is created as a nominee account the following information shall be stated:¶  
The name of the account operator. . ¶  
The nominee-identification number which VS has allocated to the account operator.¶  
A licence from the FSA for account operator's nominee registration.¶  
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**Closing a VS-account¶**

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An account operator has the authority to close an account if no electronic security certificates have been registered in it for one year. Should a VS-account be created by mistake

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- 2.3.9 An account operator is, however, under no circumstances authorised to transfer electronic security certificates pursuant to provision Error! Reference source not found, that:
1. Have been registered provisionally according to Article 17, of Act No. 131/1997.
  2. Relate to a complaint under Article 25 of Act No. 131/1997.
  3. Have been pledged.
  4. Have been attached or are subject to other kinds of guarantees of satisfaction of a claim by a claimant.

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### **Inspection of balance**

- 2.3.10 An account operator is allowed to inspect account holders' balance on accounts with Nasdaq CSD Iceland if there is a permission, cf. 2.3.6. If an account operator has inspected an account holder's balance without permission, Nasdaq CSD Iceland is authorised to impose sanctions under provision Error! Reference source not found.

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Intercession for proprietary registration¶

### **Inspection and registration obligation**

- 2.3.11 Upon receipt of a request for registration of title an account operator shall thoroughly inspect whether the reported proprietary titles verifiably originate from the requestor, and whether necessary information is available by requesting the certificates and documents mentioned in Article 10 of Regulation No. 397/2000 and examine the validity of the documents the request is based on.

- 2.3.12 An account operator is responsible towards Nasdaq CSD Iceland and shall if requested demonstrate that satisfactory documentation has been submitted to prove the right of a rightholder to an electronic security certificate and when the request for registration of title was received, cf. points 2 and 3 of Article 12 of Regulation No. 397/2000.

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- 2.3.13 If a party in question presents satisfactory information concerning the bases of a request an account operator is obliged to notify Nasdaq CSD Iceland without delay of a request for registration, cf. fifth paragraph of Article 16 of Act No. 131/1997. The time at which the request for registration of title was received by the account operator shall be confirmed if so requested.

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### Registration of endorsement

- 2.3.14 An entry of an endorsement shall disclose the following:
1. The ID-numbers of the buyer and the seller which also indicates the names and addresses of the parties.
  2. The identity and number of units of the electronic security certificates named in the endorsement.
  3. The names of the account operators the buyer and seller are using.

### Registration and removal of rights

- 2.3.15 When registering pledges and other registrable rights or when registering title based on a court sentence or other official legal decrees, the following shall be disclosed:
1. The electronic security certificates covered by the rights. Should a right only refer to a specific portion of electronic security certificates within the same securities category, registered to the same account, the object of the rights shall be defined by registering the specific portion of electronic security certificates to be registered.
  2. Name, address and ID number of the rights holder.
  3. The time limit of the rights and the name of the account operator that stores the documents providing for the rights.

- 2.3.16 When relieving rights to electronic security certificates, the following shall be disclosed:
1. The electronic security certificates included in the relief.
  2. Name, address and ID number of the holder of the rights.
  3. The time limit for the relief and the name of the account operator where the basic data for the relief is kept, such as a confirmation of the completion of a pledge.

Deleted: <#>The VS-system does not include information on the initial price of securities. An account operator shall acquire information about the initial price from the holder of the security certificate, or by other means and collect tax on capital income when they are sold, according to the Act on payments of capital income tax, no. 94/1996. ¶

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### Correcting registrations of title

2.3.17 Before an account operator makes a correction to a registration of title, cf. Article 22 of Act No. 131/1997, the rightholders concerned shall be notified as to what corrections are to be made and given the opportunity to express their opinions. Once a change has been effected the parties concerned shall be notified thereof, cf. Article 18 of Act No. 131/1997. An account operator may correct obvious mistakes or incorrect entries, provided notification of such is sent, cf. Article 18 of Act No. 131/1997, to the parties concerned after the correction has been made.

2.3.18 An account operator is responsible towards Nasdaq CSD Iceland and shall demonstrate upon request the time it requested a correction according to Article 22 of Act No. 131/1997, cf. point 4 of Article 12 of Regulation No. 397/2000.

### Account statement

2.3.19 Nasdaq CSD Iceland shall issue a statement of account annually.

### Eradication of title

2.3.20 Eradication of title is subject to Articles 40-49 of Regulation No. 397/2000.

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An account operator

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Provisional

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The contents of the title that is the subject of the request cannot be registered.¶

The request does not fulfill the requirements of Article 21 of Regulation no. 397/2000. ¶

¶  
An account operator shall inform the party that has requested registration of the reasons for the rejection as well as the rights of the requestor to appeal the decision to an arbitration committee according to article 25 of Act no. 131/1997.¶

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Provisional registration is governed by articles 30 and 31 of Regulation no. 397/2000. ¶

¶  
**Notification to relevant parties of registration of title¶**

¶  
An account operator, one or more as applicable, shall notify all relevant parties of each registration of title it handles no later than two days after the account operator receives a request for registration of title, unless the account holder has made other arrangements, cf. first and second paragraph of article 18 of Act no. 131/1997. The notification shall specify the items listed in the first paragraph of Article 35 of Regulation no. 397/2000. Relevant parties include account holders, pledgees, or other holders of titles to the electronic security certificate referred to in the registration of title.¶

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Data according to article 12 of Regulation no. 397/2000 shall be stored no less than 10 years from the expiry of rights to the relevant VS-account. An account operator shall also store all necessary data regarding the issue of those securities classes in the VS-system for which it has handled the issue.¶

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## Access to accounts in the name of deceased individuals or unregistered parties

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### Deceased individuals

2.3.21 When Nasdaq CSD Iceland's system has been informed from the national register of Statistics Iceland that an account owner is deceased it locks up the deceased's account.

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2.3.22 Nasdaq CSD Iceland extends information to an account operator about all electronic securities certificates of the deceased in Nasdaq CSD Iceland's system, if an heir has the county magistrates permit to gather information from a third party about the estates' assets and debts, cf. Article 24 of Act No. 20/1991, on partitions of estates and other things, and the heir has presented it to the account operator. The account operator sends Nasdaq CSD Iceland a request to open the account of the deceased's estate. Nasdaq CSD Iceland may request a copy of the permit in question.

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2.3.23 On the basis of the following permits an account operator may request that Nasdaq CSD Iceland unlock a deceased's account(s):

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1. A permit for private administration of an estate.
2. A commission from a district court judge to an official who supervises the administration of an estate.
3. An endorsement from the district commissioner according to the first paragraph of Article 25, the second paragraph of Article 26 and the second paragraph of Article 11 of Act No. 20/1991, on partitions of estates and other things.
4. Inheritance report.
5. A district commissioner's permit to the surviving spouse on staying in an indivisible estate.

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### Unregistered parties

2.3.24 If a party is not registered in the register of companies of Statistics Iceland or in other company registers, Nasdaq CSD Iceland's system locks up the party's account. Nasdaq CSD Iceland opens the party's account at the request of the account operator when presented with documents that prove ownership over the relevant electronic securities certificates.

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## 3 Issuing of electronic security certificates, etc.

### 3.1 General provisions

3.1.1 Nasdaq CSD Iceland issues electronically all securities that can be subject to transactions and fulfil requirements in laws, regulations, and the Rules of Nasdaq CSD Iceland. Nasdaq CSD Iceland shall assess whether securities fulfil the requirements for being issued electronically in the system.

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#### *International identification of securities*

3.1.2 All securities registered electronically in Nasdaq CSD Iceland's system carry an ISIN<sup>1</sup> identity based on the ISO 6166 standard and issued by Nasdaq CSD Iceland. Nasdaq CSD Iceland acts as a National Numbering Agency for Iceland and issues identities to all securities that fulfil requirements for registration.

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### 3.2 Issuing of electronic security certificates

3.2.1 In this chapter the term issuing of electronic security certificates stands for electronic registration of securities through a public offering or on the grounds of a list of owners and a recall of tangible securities is not needed (electronic registration of securities), cf. chapter Error! Reference source not found.

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#### *Application*

<sup>1</sup> ISIN stands for *International Securities Identification Number* according to ISO 6166.

3.2.2 An issuer shall make an agreement with an account operator regarding the proposed issue, cf. ~~however, Error! Reference source not found.~~ An application shall meet the requirements stated in the issue description.

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3.2.3 A party signing the application for the issue of electronic security certificates on behalf of an issuer, shall present a satisfactory authority to commit the respective issuer.

3.2.4 An issuer does not have to make an agreement with an account operator regarding the proposed issue if:

1. ~~An agreement of association has been made with an issuer according to Paragraph 3 of Article 11 of Act No. 131/1997.~~
2. The issuer is an account operator and renders its own issue description.

**Deleted:** <#>A regulated securities market has approved a prospectus for the issue, which fulfills the requirements in the issue description and the documents specified in section 4 of the issue description are enclosed. ¶  
The Financial Supervisory Authority has approved a public announcement for a General Public Offering, cf. chapter IV of Act on securities transactions, no. 108/2007, and it fulfills the requirement of an issue description and the documents specified in section 4 of the issue description are enclosed. ¶

3.2.5 ~~When Nasdaq CSD Iceland has accepted the application from the issuer, an issue agreement between the issuer and Nasdaq CSD Iceland shall be signed.~~

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### Guarantee of issue

3.2.6 The board of the issuer shall guarantee that all decisions and arrangements regarding the issue are made according to current legislation and resolutions of the issuer, and comply with the Rules of Nasdaq CSD Iceland at each time. The Issuer further guarantees that all information submitted to Nasdaq CSD Iceland on the basis of these decisions is correct.

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3.2.7 An account operator, cf. ~~Error! Reference source not found.~~ shall guarantee that all information enclosed in an issue description and appendices are to its best knowledge sufficient, correct and fulfil the provisions of the Rules of Nasdaq CSD Iceland.

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3.2.8 ~~The person who signs the issue description on behalf of the account operator must provide evidence of having sufficient authority to sign on behalf of the account operator.~~

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### Issue process

- 3.2.9 When issuing electronic security certificates, the issuer must submit the certificates' issue description in the form required by Nasdaq CSD Iceland at any given time.
- 3.2.10 Upon issue, the electronic security certificates are transferred by Nasdaq CSD Iceland to accounts registered in issuer's the national identification number (kennitala) with an account operator. In the case of electronically registered shares or units, the issuer may request their direct transfer into the owner's account managed by the account operator.
- 3.2.11 Nasdaq CSD Iceland does not transfer electronic security certificates from accounts managed by account operators unless special circumstances so warrant. Nasdaq CSD Iceland informs the account operator before carrying out such a transfer.
- 3.2.12 When issuing electronic security certificates, the issuer shall follow the issue process supported by Nasdaq CSD Iceland. Should an issuer or account operator require exceptions from the issue procedures, Nasdaq CSD Iceland should be notified immediately. The issuer and account operator shall bear the cost of these exceptions and be in consultation with Nasdaq CSD Iceland regarding the issue.

### 3.3 Electronic registration of physical securities

#### Recall

- 3.3.1 An issuer shall invalidate physical securities with a recall in accordance with section VII of Regulation No. 397/2000.

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*Rules regarding electronic registration of previously issued securities*¶

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*Application*¶

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 If an issuer of previously issued securities has registered the issue on a regulated securities market a prospectus, which meets the conditions for issue description, is sufficient, enclosed with the data required by section 4 of the issue description. ¶

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 The board of the issuer shall send a written notification to all registered owners of stocks or units in collective investments in undertakings containing a description of the proposed electronic registration of securities. The announcement shall be sent one month prior to the electronic registration. Notifications that are sent along with other data from the company shall be sufficiently separated. ¶

## Pledge registration in electronic registration of securities

### Shares

3.3.2 If an issuer of shares announces a recall under section VII of Regulation No. 397/2000, a pledgee can make his rights known to an account operator.

3.3.3 Once the electronic registration of shares has taken effect, the account operator shall transfer the electronic security certificates to be pledged to an account managed by itself but registered in the name of the pledgor, provided that the conditions stipulated in Article 10 or 11 of Regulation No. 397/2000 are met. The registration of a pledge shall be governed by provision Error! Reference source not found.

### Fixed income securities

3.3.4 If an issuer of fixed income securities has announced a recall under Chapter VII of Regulation No. 397/2000, a pledgee can make his rights known to the account operator.

3.3.5 Once the electronic registration of fixed income securities has taken effect, the account operator must transfer the electronic security certificates to be pledged to an account managed by itself but registered in the name of the pledgor, provided that the conditions stipulated in Article 10 or 11 of Regulation No. 397/2000 are met. The registration of a pledge shall be governed by provision Error! Reference source not found.

3.3.6 Fixed income securities that are not handed over for electronic registration remain valid and the pledgee may keep the fixed income securities in his custody until the pledge has been relieved.

### Fund units/shares

3.3.7 Electronic registration of fund units/shares is subject to the aforementioned rules on registration of pledges in electronic registration of shares.

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¶ Bonds¶

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Deleted: the account operator in the name of the pledger and shall register the pledge in accordance with the submitted documents, cf. 2.3.20. In the event of hypothecation, the account operator shall register the pledge as soon as the pledger hands over the bond for electronic registration.<sup>2</sup>

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### 3.4 Corporate actions

#### Dividends

3.4.1 An issuer wishing to pay a dividend through Nasdaq CSD Iceland's system must send a notification to this effect to Nasdaq CSD Iceland using a special form that provides all the information necessary with regard to the dividend payout. The notification must be received by Nasdaq CSD Iceland at the same time that the decision to pay the dividend is made public.

3.4.2 When a dividend payment is made, the issuer must follow the procedures prescribed by Nasdaq CSD Iceland at any given time.

3.4.3 In the notice from the public limited company's board of directors announcing an intended shareholders' meeting, it should be stated that the dividend payments are based on the register of shares as it appears by the end of record date.

#### Income payments

3.4.4 Before instalments are paid, Nasdaq CSD Iceland sends the issuer notification of the planned instalment. The notification must specify the total amount of the instalment for electronic security certificates on accounts managed by the account operator in question on record date.

3.4.5 When an instalment is paid, the issuer must follow the procedures prescribed by Nasdaq CSD Iceland at any given time.

#### Reference date

3.4.6 The record date is based upon the last banking day before the date due for the payment of instalment and interest. The record date for shares is determined by the issuer.

#### Change to share capital

3.4.7 An issuer of electronically registered shares must notify Nasdaq CSD Iceland of any change to the issued share capital. The notification of the change shall specify the authorisation for the change. The notification

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- Deleted: he shall notify VS about the proposed payment date. With the
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- Deleted: disburse funds from the issuer's bank account with a settlement agent into the shareholders bank accounts. The notification shall also include the reference date for dividend payment, i.e. at the end of which date the dividend payments are based on. ¶  
¶  
The bank account mentioned in 3.4.1 shall, at a minimum, include the dividend amount three weekdays prior
- Deleted: the dividend payment. The issuer's account operator can also issue
- Deleted: statement three weekdays before payment is due confirming
- Deleted: financial resources are available, or that payment is ensured. ¶  
¶  
VS
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- Deleted: each shareholder
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- Deleted: , who wishes to pay instalments or interests through the VS-system, with a list
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must also state the category of shares to which the change pertains, if there are or will be categories of shares in the company.

3.4.8 The party signing the notification of the change to the share capital shall present a satisfactory authorisation to commit the respective company.

3.4.9 The notification must at minimum be accompanied by:

1. A certificate from the Register of Enterprises confirming the change to the share capital.
2. Information as to how the change to the share capital will be allocated.
3. Details as to when the change to the share capital will be effected and the reference date, if applicable.
4. Specification of the person acting as administrator of the change to the share capital on behalf of the issuer or account operator.

### **Merger**

3.4.10 An issuer of electronic security certificates must notify Nasdaq CSD Iceland of any merger with another company. The person signing on behalf of a company a notification of a merger or takeover shall present a satisfactory authorisation to commit the respective company.

3.4.11 A notification of a merger must at minimum be accompanied by:

1. A merger schedule, confirmed and signed by the board of directors of the respective companies, where the proportion of shares of each company in the new company is specified.
2. A certificate from the Register of Enterprises confirming the merger.

### **Division**

3.4.12 An issuer of electronic security certificates must notify Nasdaq CSD Iceland of any division of the company. The person signing the notification of a company's division shall present a satisfactory authorisation to commit the respective company.

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A list of recipients of the new shares. ¶  
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**Issue of compensation shares** ¶

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In a notification about issue of compensation shares, cf. article 43 of

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A certified transcription from the Register of Limited Companies shall accompany the notification. ¶  
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Reduction of

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In a notification about reduction of share capital, cf. section VII of the Act on public limited companies, no. 2/1995, the issuer shall specify the authorization for the reduction. A party signing th (... [4]

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**Deleted:** <#>certified transcription from the Register of (... [5]

**Deleted:** party

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**Deleted:** from boards of public limited companies abou (... [6]

**Deleted:** take-overs, cf. section XIV of the Act respectir (... [7]

**Deleted:** authorization

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**Deleted:** company's decision regarding division, cf. arti (... [8]

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- 3.4.13 The notification must at minimum be accompanied by:
1. A certified and signed division schedule from the board of directors containing, inter alia, a detailed description of the electronic security certificates allocated to each recipient company.
  2. A certificate from the Register of Enterprises confirming that the recipient companies are registered.

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### Other actions

- 3.4.14 Nasdaq CSD Iceland executes other actions of the issuer at the request of the issuer or its account operator, provided that the conditions of laws, regulations and Rules of Nasdaq CSD Iceland are complied with.
- 3.4.15 Nasdaq CSD Iceland reserves the right to claim that account operators prepare certain actions in the system.

**Deleted:** VS

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**Deleted:** 3.4.17 VS

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### 3.5 Issuer's access to information

- 3.5.1 The board of a public limited company can at any time request a new list from Nasdaq CSD Iceland of shareholders and the transactions of the company's shares that have taken place. A public limited company can at any time request a direct connection with Nasdaq CSD Iceland's system for access to information about shareholders of the respective company, provided that the regulations that apply to access to Nasdaq CSD Iceland's system are complied with.
- 3.5.2 The rules that apply for access of public limited companies to information about their shareholders shall also apply for mutual funds regarding access to information about the unit holders.

**Deleted:** the VS

**Deleted:** , that apply to access to VS system, are abided with. The register of shares shall always be kept in the office of the respective public limited company, cf. the seventh paragraph of article 30 of Act no 2/1995, and responsibility for it shall be in compliance with Section IV, of Act no. 2/1995.

**Deleted:** owners of

**Deleted:** shares.

### 3.6 End of registration

- 3.6.1 The issuer can request that the securities certificates are removed from registration. A confirmation of a sufficient approval from the owners of the securities certificates shall accompany the request. Nasdaq CSD Iceland will determine for each request whether conditions for deregistration are met.

**Deleted:** <#>The issuer's electronic security certificates shall be registered in the VS-system unless he requests that they be removed from registration, cf. article 44 of Regulation no. 397/2000.¶

3.6.2 Article 45 of Regulation No. 397/2000 shall apply in the event of bankruptcy, redemption, mergers, or other such events that might lead to the end of registration of a securities category.

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**Settlement of transactions¶**  
 ¶

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 An account operator

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**Settlement**

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¶  
**General provisions¶**

¶  
 VS investigates the parties' possessions in electronic securities certificates and undertakes their delivery after receiving confirmation of reliability of their transfer order. The Central Bank of Iceland settles the transfer order in ISK. ¶

**Deleted:** who has entered into an agreement with VS, being both a stock exchange member and a settlement agent, is a party to netting in the payment system. If the account operator is a settlement agent for other account operators, he shall protect his interests with guarantees. ¶

¶  
 VS settles transfer orders twice a day. The former takes place at 11:45 and the latter at 15.00. ¶

¶  
 VS deletes transactions in its system at the end of the fifth day from settlement day (S+5) ¶

¶  
**Payment settlement of transactions, cp Annex II on Procedure for Settlement of Securities Transactions, dated May 30 2013 ¶**

¶  
 At the end of a transaction day VS sends settlement agents provisional information on their payment commitments with respect to the next settlement date. The same information is sent to the Central Bank and to account operators at the same time. At 11:15 VS again sends transfer orders, to confirm or amend transfer orders for settlement. An amendment occurs only if a transaction has had to be cancelled due to lack of securities. Should an amendment have been made due to cancellation, the Banks' Data Centre (RB) transfers the difference, cp. 4.1.4. The Banks Data Centre will attempt a transfer between the participant's RTGS account and its securities settlement account. ¶

¶  
 VS sends transfer orders to the Icelandic Banks Data Centre (RB) to be settled. RB attempts netting of transfer orders between settlement agents RTGS accounts and its RTGS system account in the RTGS system. After this the Banks' Data Centre (RB) transfers, in accord with authority granted to VS by the settlement agents, funds from the RTGS account of the settlement agent to the securities settlement account in the Central Bank's RTGS system. These funds will be transferred at 11.00 am on the settlement date. Should funds or credit be insufficient the transfer is retried every three minutes. ¶

¶ ... [9]

**Deleted:** agents which do not settle payments with respect to securities settlement on the settlement date will be subjected to penalties under VS rules, cp. 2.1.7. ¶

¶  
**Asset settlement of transactions, cp. Annex I on VS's TRS system and Annex II on Procedure for Settlement of Securities Transactions, dated May 30 2013¶**

¶ ... [10]

## 4 Various provisions

### 4.1 Investors

4.1.1 Institutional investors and issuers may request access to the system enabling them to retrieve information concerning their own accounts directly from Nasdaq CSD Iceland. Nasdaq CSD Iceland shall set a reference limit regarding which parties may enter into an agreement with Nasdaq CSD Iceland for this purpose.

4.1.2 A party requesting access to the system in accordance with provision Error! Reference source not found. shall send an application to Nasdaq CSD Iceland. Nasdaq CSD Iceland will make a decision on the application within four weeks from receiving a completed application.

### 4.2 Information centres

4.2.1 Parties requesting information from the system for statistical purposes, cf. the second paragraph of Article 14 of Act No. 131/1997, shall submit a written application to Nasdaq CSD Iceland. Nasdaq CSD Iceland shall make a decision on the application in writing within two weeks from receiving the opinion of the Data Protection Authority.

4.2.2 Parties that have access to information in Nasdaq CSD Iceland's system shall handle this information in accordance with the provisions of the Act on the Protection of Privacy as Regards the Processing of Personal Data, No. 77/2000, as applicable.

**Deleted:** 5.1.1 . Based on item 3, paragraph 2, article 12 of Act no. 131/1997, the board of VS is authorized, on the basis of the agreement of association, to authorize specific

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**Deleted:** VS system

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**Deleted:** decide

**Deleted:** Reasons shall always be presented when declining applications.

**Deleted:** ¶

5.1.3 . The board of VS is authorized, on the basis of an agreement of association, to give an investor the right to create VS accounts in his own name in the VS system. The investor is authorized to save his own electronic security certificates on these VS accounts, transfer them from one of his VS accounts to another, and retrieve information about them from VS, without the intervention of an account operator. ¶

¶

5.1.4 . An investor guarantees that an account operator acts as an intermediary for all registrations of title to the investor's security certificates.

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**Deleted:** VS. The board of VS

**Deleted:** decide

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## 5 Settlement of transactions

### 5.1 General provisions

5.1.1 Nasdaq CSD Iceland operates a designated securities settlement system in accordance with the provisions of Act No. 90/1999. Only transactions in securities registered electronically in Nasdaq CSD Iceland's system can be settled.

5.1.2 Electronic security certificates are delivered versus payment ("DVP"). Cash transfers are settled on a net basis whereas securities transfers are settled for each transfer order (on a gross basis). Nasdaq CSD Iceland thus uses Settlement Model 2 of the Bank for International Settlements.

5.1.3 When a settlement is made, Nasdaq CSD Iceland inspects the asset balance of each party to the transfer order and performs the delivery of electronic security certificates once confirmation of the reliability of the payment order has been completed. The Central Bank of Iceland settles the payment order in ISK.

5.1.4 Nasdaq CSD Iceland settles matched transfer orders twice per day. The first settlement batch takes place at 11:45 hours and the second batch at 15:00 hours.

5.1.5 If circumstances or events occur that may in the opinion of Nasdaq CSD Iceland prevent normal performance of settlement, such as disruptions to communications or technical disruptions, Nasdaq CSD Iceland may deviate from the times indicated in provision 5.1.4. Nasdaq CSD Iceland notifies the account operators of any change in the times of settlement.

5.1.6 Nasdaq CSD Iceland cancels any matched transfer orders that remain unsettled at the end of the day, five days after the settlement date (S+5).

### 5.2 Responsibility of account operators and sanctions

5.2.1 An account operator delivering electronic security certificates under a matched transfer order is responsible for transferring the agreed

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Stock Exchanges¶  
¶  
VS and

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Deleted: board of VS for approval. In the agreement,

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electronic security certificates to the account to which the order has been allocated so as to enable completion of the settlement.

5.2.2 A settlement agent delivering cash under a matched transfer order guarantees to have the agreed amount available in a securities settlement account so as to enable completion of the settlement.

5.2.3 In the event that an account operator is unable to deliver cash or electronic security certificates in accordance with a matched transfer order, or neglects to make an allocation in accordance with a transfer order within the time limit stipulated in provision 5.1.6, Nasdaq CSD Iceland reserves the right to impose sanctions on the account operator in question. Nasdaq CSD Iceland will also notify the Financial Supervisory Authority of any unsettled matched transfer orders that are cancelled under provision 5.1.6.

5.2.4 An account operator that fails to meet its obligation to deliver electronic security certificates or cash, carries the entire cost of any measures taken in response to non-performance of settlement.

### 5.3 Process up to settlement

#### Matching of transfer orders

5.3.1 Account operators send transfer orders via the TRS system. The TRS system closes at 17:00 hours for transfer orders to be settled on the next business day (S-1).

5.3.2 The matching of transfer orders takes place when the counterparty has sent a second transfer order (the other leg of a transaction in electronic security certificates) that meets the conditions for matching to the previous transfer order.

5.3.3 When two or more other possible transfer orders exist, the TRS system matches the transfer orders closest to each other in total price.

5.3.4 The following information must be consistent for the transfer orders to be matched in the TRS system:

#### Transactions executed within Nasdaq Iceland's trading system:

1. Correct counterparty

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Annex I¶

¶

Rules on the Icelandic Securities Depository (VS) ¶

Transaction Reporting System (TRS)¶

¶

Opening hours:¶

¶

Deleted: opens at 9:00 for notification of transactions.¶

Deleted: for notification of transactions which are

Deleted: , i.e. transactions to be allocated on the same day.

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Deleted: . During that time notifications can be submitted of transactions to be settled after the next business day. At that time it is also possible to submit enquiries. ¶

¶

Matching of transactions:¶

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Exchange trade :¶

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2. ISIN number
3. Quantity
4. Trade date
5. Settlement date
6. Currency
7. Total amount within ISK 100; in case of discrepancy, the seller's price applies.
8. Order book, allocated by Exchange system.
9. Trade number, allocated by Exchange system.

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**Transactions executed outside Nasdaq Iceland's trading system:**

1. Correct counterparty
2. ISIN number
3. Quantity
4. Trade date
5. Settlement date
6. Currency
7. Total amount within ISK 100; in case of discrepancy, the seller's price applies.

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1. .

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5.3.5 If the settlement of matched transfer orders is registered in advance, the matched transfer orders wait until S-1 (the day before the settlement date) and are transferred to the securities settlement system at 7:00 hours on the morning of that day. If transfer orders are matched on the day before the settlement date, they are transferred directly to the securities settlement system where they await allocation.

**Transfer order's moment of entry into the system and irrevocability:**

5.3.6 A transfer order is considered to have entered the system when the matched transfer orders have been transferred to the securities settlement system. As of that point in time, neither party can revoke the transfer order unilaterally ("transfer order irrevocable").

5.3.7 The day before settlement (S-1), the parties may agree to cancel matched transfer orders without involving Nasdaq CSD Iceland. On the settlement date (S), Nasdaq CSD Iceland also cancels any transfer orders whose cancellation has been agreed by both parties by 11:15 hours for the first settlement batch and by 14:30 hours for the second batch. A party requesting cancellation of a transfer order must obtain the counterparty's approval. When a cancellation request has been received



from both parties, Nasdaq CSD Iceland cancels the transfer order and sends both parties a confirmation of this.

### **Allocation of transfer order for settlement**

5.3.8 An account operator receiving electronic security certificates must specify the account to which they are to be transferred, and an account operator delivering electronic security certificates must specify the account from which they are to be delivered (“allocation”).

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5.3.9 A transfer order allocation can take place until 11:15 hours on the settlement date (first settlement batch) and until 14:30 hours (second batch).

### **Deallocation**

#### **5.3.10 Deallocation by an account operator**

If an account has a negative position and an account operator delivering electronic security certificates is consequently unable to carry out a settlement of a transfer order, or the cash balance on a securities settlement account is insufficient to meet a payment obligation, the account operator must deallocate the transfer order. The account operator must send Nasdaq CSD Iceland information as to which transfer orders have been deallocated.

#### **5.3.11 Deallocation by Nasdaq CSD Iceland**

If an account has a negative position or the cash balance on a securities settlement account is insufficient and the transfer order has not been deallocated by the account operator under provision 5.3.10, the securities settlement system performs an automatic deallocation at 11:17 hours for the first settlement batch and at 14:32 hours for the second batch.

#### **5.3.12 Effects of deallocation**

The deallocation of transfer orders prevents the settlement of matched transfer orders. Transfer orders that have been deallocated in a previous settlement must be reallocated for their settlement to take place.



Nasdaq CSD Iceland notifies the account operators in question if a settlement cannot take place.

## **5.4 Settlement**

### **Provisional settlement**

5.4.1 If a transfer order has been allocated before the time limit specified in provision 5.3.9, Nasdaq CSD Iceland carries out a provisional settlement to ascertain the balance of electronic security certificates on the accounts to which the transfer order was allocated.

5.4.2 If the provisional settlement reveals that the account in question has a negative position of electronic security certificates, the securities settlement system deallocates the transfer order in accordance with provision 5.3.11.

### **Check of cash balance**

5.4.3 If a provisional settlement shows that the account in question has a sufficient balance of electronic security certificates to carry out the settlement, the Central Bank of Iceland checks whether the securities settlement account of the settlement agent in question has sufficient cash to settle the transfer order on the basis of a final transfer list from Nasdaq CSD Iceland.

5.4.4 If the check of the balance of cash reveals that the settlement account has insufficient cash to meet the payment obligation, the securities settlement system deallocates the transfer order in accordance with provision 5.3.11.

### **Settlement finality (“matched transfer orders irrevocable”)**

5.4.5 Once sufficient balances of electronic security certificates and cash to complete the settlement have been ensured, these are reserved until the settlement has taken place.

5.4.6 The settlement of matched transfer orders is considered final and irrevocable once the electronic security certificates have been transferred from the seller’s account to the buyer’s account against payment of the agreed cash amount.

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Moved (insertion) [6]

**Deleted:** Where two or more possible transactions exist, the TRS system matches the transactions where the difference in total price is smallest.¶

## 5.5 Bankruptcy of the account operator

- 5.5.1 The account operator must notify Nasdaq CSD Iceland of any ruling to subject the account operator to bankruptcy proceedings or liquidation. The notification must be sent as soon as possible.
- 5.5.2 The transfer orders of an account operator that has been subjected to bankruptcy proceedings are binding on a third party if they entered the system, cf. provision 5.3.6, before the bankruptcy ruling was made.
- 5.5.3 Transfer orders from a bankrupt account operator that enter the system after a bankruptcy ruling is made are binding on a third party only if executed within the transaction day on which the bankruptcy proceedings were initiated and provided that Nasdaq CSD Iceland can prove that it neither knew nor should have known that such proceedings had begun when the transfer order became irrevocable.
- 5.5.4 Transfer orders that meet the conditions of provisions 5.5.1 and 5.5.3 remain in the securities system of Nasdaq CSD Iceland, and an attempt will be made to settle them in accordance with these Rules.
- 5.5.5 Transfer orders from a bankrupt account operator that do not meet the conditions of provisions 5.5.1 and 5.5.3 are not binding on a third party. Nasdaq CSD Iceland may cancel the transfer orders of a bankrupt account operator that do not meet the aforesaid conditions.
- 5.5.6 Nasdaq CSD Iceland may request confirmation by the account operator that it has been subjected to bankruptcy proceedings.

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**Deleted:** 5.5.2

**Moved up [12]:** ¶  
When

**Deleted:** searching for transactions to match, the TRS system does not search transactions which have been revoked. ¶  
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Annex II ¶

¶

¶

Appendix ¶

SI-52765 ¶

**Agreement on procedure** ¶  
**for settlement of securities transactions** ¶

¶

The Central Bank of Iceland, ID no. 560269-4129, Kalkofnsvegi 1, Reykjavík, (hereinafter termed the Central Bank), and the Icelandic Securities Depository Ltd., ID no. 500797-3209, Laugavegi 182, Reykjavík (hereinafter termed VS), make the following agreement on procedure with respect to settlement of securities transactions, cp. Act no. 131/1997 Act on Electronic Registration of Rights of Title to Securities. ¶

The purpose of this agreement between the Central Bank and VS is to safeguard the interests of buyers and sellers of securities, which entails that sellers should not have access to funds paid for the securities unless they have been delivered, and vice versa. ¶

¶

**1. Definitions** ¶

In these rules, the following meanings apply: ¶

**Delivery vs. payment [DVP]:** Linking of delivery of securities and payments, or equivalent arrangements to ensure that the seller of securities does not have access to the funds paid for securities sold unless they have been delivered, and vice versa, in accordance with the basic rules of the Committee on Payment and Settlement Systems (CPSS) on behalf of International Settlements (BIS) and International Organization of Securities Commissions (IOSCO) on Recommendations for Securities

**Moved up [13]:** Settlement

**Deleted:** Systems 2012. ¶

**Banking days:** Business days of commercial banks and savings banks from Monday to Friday inclusive. ¶

**1.3 Transfer orders:** Orders sent electronically into an RTGS system to transfer funds from the payer's account and pay it into the payee's account. The transfer order includes the information on the owners of the account and on the transaction to enable completion of the payment. ¶ ... [11]

**Moved up [1]:** ¶

**Allocation account:**

**Deleted:** Account in securities settlement system where netted transactions are kept in the names of the account operators until the account operator has entered information on the identity of the final buyer/seller. ¶

**Securities settlement system:** Securities settlement system owned by VS which received confirmations of transaction terms for securities transactions, and determines (allocates) r ... [12]

When invalidating tangible bonds or when electronically registering title according to stocks or unit shares according to section VII of Regulation no. 397/2000 an account operator shall send a statement to the account holder or other right holders as soon as possible, but no later than three months from the creation of the account, cf. Article 62 of Regulation no. 397/2000.

An account operator may upon request from a registered title holder, send him additional statements, cf. second paragraph of Article 24 of Act no. 131/1997 and second paragraph of Article 62 of Regulation no. 397/2000.

### ***Title day***

3.4.6 Title is determined by reference to registration of ownership at VS at the end of the day to which title applies. The title day for bonds

with subscription to new shares, cf. the provisions in section V in the Act on Public Limited Companies, no. 2/1995, the issuer

#### 1.1.1

In a notification about reduction of share capital, cf. section VII of the Act on public limited companies, no. 2/1995, the issuer shall specify the authorization for the reduction. A party signing the notification of issue of compensation shares on behalf of a company, shall present a satisfactory authorization to commit the respective company.

certified transcription from the Register of Limited Companies shall accompany the notification.

from boards of public limited companies about mergers

#### 1.1.2

take-overs, cf. section XIV of the Act respecting Public Limited Companies, no. 2/1995

#### 1.1.3

company's decision regarding division, cf. article 133 of the Act on public limited companies, no. 2/1995,

#### 1.1.4

who has entered into an agreement with VS, being both a stock exchange member and a settlement agent, is a party to netting in the payment system. If the account

operator is a settlement agent for other account operators, he shall protect his interests with guarantees.

VS settles transfer orders twice a day. The former takes place at 11:45 and the latter at 15.00.

VS deletes transactions in it's system at the end of the fifth day from settlement day (S+5)

***Payment settlement of transactions, cp Annex II on Procedure for Settlement of Securities Transactions, dated May 30 2013***

At the end of a transaction day VS sends settlement agents provisional information on their payment commitments with respect to the next settlement date. The same information is sent to the Central Bank and to account operators at the same time. At 11:15 VS again sends transfer orders, to confirm or amend transfer orders for settlement. An amendment occurs only if a transaction has had to be cancelled due to lack of securities. Should an amendment have been made due to cancellation, the Banks' Data Centre (RB) transfers the difference, cp. 4.1.4. The Banks Data Centre will attempt a transfer between the participant's RTGS account and its securities settlement account.

VS sends transfer orders to the Icelandic Banks Data Centre (RB) to be settled. RB attempts netting of transfer orders between settlement agents RTGS accounts and its RTGS system account in the RTGS system. After this the Banks' Data Centre (RB) transfers, in accord with authority granted to VS by the settlement agents, funds from the RTGS account of the settlement agent to the securities settlement account in the Central Bank's RTGS system. These funds will be transferred at 11.00 am on the settlement date. Should funds or credit be insufficient the transfer is retried every three minutes.

The Central Bank sends confirmation of the status of transfer orders. If the settlement agent has not succeeded in meeting the transfer orders at that point, VS may commence further cancellations. VS will not reopen the system until the settlement of assets and payments is balanced. VS determines which transactions will be cancelled, on the principle of achieving settlement by the smallest possible number of cancellations.

agents which do not settle payments with respect to securities settlement on the settlement date will be subjected to penalties under VS rules, cp. 2.1.7.

***Asset settlement of transactions, cp. Annex I on VS's TRS system and Annex II on Procedure for Settlement of Securities Transactions, dated May 30 2013***

4.1.9 When transactions of electronic security certificates have taken place between account operators, the AOs in question must send to VS all necessary information in order to match the trades in the TRS (Transaction Reporting System) of VS. After matching, the matched notifications are sent to temporary accounts in the VS system of those account operators that are parties to the transactions, not later than the day before settlement. An account operator shall transfer all electronic security certificates from its temporary account to the buyer's or seller's VS account to secure the settlement.

4.1.10 If there are not sufficient assets in electronic security certificates on the seller's VS account before settlement, the relevant transaction will be revoked by VS before payment file is sent. VS notifies the relevant AO of the revocation of the transactions. AO can submit a new notification to the TRS system of VS, before the next with a new settlement date.

Notwithstanding the provisions of 4.1.10, VS is authorized to mediate in the purchase of electronic securities certificates in order to complete a settlement. The seller's account operator is responsible for all costs arising from the above-mentioned measures by VS.

4.1.12 Account operators which have entered into an agreement of association with VS are jointly responsible for costs arising from the provisions of item 4.1.11

### ***Defaults***

Should an account operator fail to carry out settlement of payment or settlement of assets within the specified time limit, VS reserves the right to impose a penalty on the account operator under 2.1.7. In this context the causes of the relevant account operator's inability to honor its commitment shall be considered. The account operator bears all costs arising from measures due to default on settlement.

Systems 2012.

**Banking days:** Business days of commercial banks and savings banks from Monday to Friday inclusive.

**1.3 Transfer orders:** Orders sent electronically into an RTGS system to transfer funds from the payer's account and pay it into the payee's account. The transfer order includes the

information on the owners of the account and on the transaction to enable completion of the payment.

**1.4 Liquid assets for settlement:** Funds used for financial settlement of securities transactions are claims on the Central Bank.

**Netting Box:** The VS netting/TRS system (Trade Reporting System) receives notifications from account operators of transactions which are to be settled between parties through the mediation of VS. All transactions which are to be settled in the securities settlement system are notified to the netting box/TRS system, where they are netted. Only netted transactions are settled.

**Account operator:** An enterprise or institution which, on the basis of an agreement of association with VS, is authorised to mediate registration of title to electronic security certificates in the VS system.

**1.7 Operational security:** Risk relating to the settlement process and the operation of the RTGS system on the one hand, and the operation of the securities settlement system on the other. Operational security applies to VS, the Central Bank of Iceland and to the Banks Data Centre (RB) which performs the technical operation of the above-named systems.

**1.8 RTGS system:** RTGS system of the Central Bank of Iceland.

**1.9 Settlement finality:** Settlement finality is when securities and funds change hands. The securities are transferred from the seller to the buyer for an agreed payment, and thereby the transaction is irreversible and is deemed fulfilled.

**1.10 Settlement day:** The day (S) on which settlement finality is based.

**1.11 Settlement agent:** An institution, cp. Item 2 art. 2, Act no. 90/1999, which is a party to the Central Bank's RTGS system and performs financial mediation for an account operator's settlements in the RTGS system.

1.1.5

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Nasdaq CSD Iceland

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Account in securities settlement system where netted transactions are kept in the names of the account operators until the account operator has entered information on the identity of the final buyer/seller.

**Securities settlement system:** Securities settlement system owned by VS which received confirmations of transaction terms for securities transactions, and determines (allocates) rights and obligations with regard to the transaction, and settles the transaction by delivering the securities in return for a guaranteed payment.

**1.14 Securities settlement accounts:** A special account in the Central Banks RTGS system used for financial settlement of securities transactions.

**1.15 Securities transaction:** Transaction with electronic securities, registered with VS.

**Contingency plan:** Response plan for possible problems which might arise in the settlement process of the Central Bank and the RTGS system on the one hand, and at VS on the other, or its service provider, the Banks Data Centre (RB), together with guidelines for response to

problems in the operating environment, in order to enable finalisation of securities settlement within the required time limit, notwithstanding any operational disruption.

**1.17 Transaction day:** The transaction day (T) is the day on which purchase and sale of securities take place. T+1, T+2, T+3 etc. are references to the number of days which elapse from the transaction day until settlement.

**1.18 VS account:** An account in the VS system, in which electronic securities issued by VS are stored, cp. Act no. 131/1997 on electronic registration of rights of title to securities.

## **2. Participation**

### **2.1 Membership of securities/monetary settlement**

An account operator is authorised to register title in a securities settlement system, and if it is also a party to the Central Bank RTGS system it has the status of a settlement agent. An account operator which is not a party to the RTGS system must make an agreement with a settlement agent (a party to the Central Bank RTGS system) on the monetary settlement of its securities transactions. Account operators and settlement agents shall make formal contracts with the Central Bank and VS in accord with the provisions of the current rules of each party (see further Central Bank rules for the RTGS system, no. 703/2009 (Appendix A), and summary of the rules for participation by account holders in the VS system (Appendix B)).

A settlement agent who undertakes monetary settlement of securities transactions on behalf of an account holder is responsible, in addition to its own transactions, for the monetary settlement of the relevant account holder. VS shall send the Central Bank a copy of the settlement agent's declaration with regard to its service to an account holder in connection with monetary settlement of securities transactions.

## **3. Settlement of electronic securities at the ISD (VS)**

### **3.1. Basis and system of settlement**

Securities settlement by VS is based upon delivery of securities vs. payment (DVP) in accordance with international rules and regulations cf. 1.1 concerning the settlement of securities, both regarding the custody and the arrangement of the cash and securities part of the settlement. All accepted bids to buy and sell with respect to stock exchange transactions regarding electronic securities for which VS handles settlement are notified to the VS netting box. Transactions outside the stock exchange, which are to be settled through the VS system, may also be notified to the netting box for settlement.

The system is open for notification of transactions from 09:00 to 17:00 on banking days. Parties can send bids to buy and sell into the netting box until 17:00 on the day before settlement.

Netted transactions are saved in allocation accounts in the names of account holders, until the account operator has entered information on the identity of the final buyer/seller.

### 3.2. Responsibility of sellers of securities and VS measures

Sellers are responsible for producing the securities as agreed on their account within the stated time limit. After a transaction has been registered on the account of the final seller, and it has been ensured that sufficient holdings exist to complete the transaction, those securities are set aside until settlement has been made. Should the seller not have produced the agreed securities within the stated time limit, VS cancels those transactions which are in a negative position before final transfer orders are sent to the Banks Data Centre (RB) for processing. VS sends the seller and buyer information on the transaction which was cancelled, and information on the prospective payment obligation. The Central Bank also receives information on such cases according to Article 3 paragr. 3 of the contract between the parties in question regarding Settlement of Securities.

Buyers and sellers must reenter the transaction cancelled by VS into the VS netting box, and they are due for next settlement.

### 3.3. Tasks of the Banks Data Centre (RB)

Under a contract between VS and the Banks Data Centre (RB), RB handles netting of payment instructions for netted transactions on behalf of VS in accordance with accepted bids to buy and sell, and then sends, on behalf of VS, net payment instructions to the RTGS system, on the basis of the authority granted to VS and RB by settlement agents.

## 4. Monetary settlement of securities transactions at the Central Bank

### 4.1. System of monetary settlement

Monetary settlement of securities transactions is carried out during the business hours of the RTGS system. (The Central Bank does not close the RTGS system for securities settlement, and this arrangement is intended to minimise disruption of the payment flow of the RTGS system). The Central Bank establishes special interest-free securities settlement accounts in the name of each settlement agent, which are used to put aside liquid funds for securities settlement. Securities settlement accounts are sub-accounts of the RTGS accounts of the same bodies, whose purpose is to handle the monetary side of securities settlement. The Central Bank alone has access to the securities settlement accounts. Settlement agents can make deposits in their securities settlement accounts, but the Central Bank alone has authority to issue transfer orders entailing payment from these accounts in accord with requests from VS for settlement of securities transactions.

Settlement agents can assign the Central Bank to make deposits which exceed the limits of the RTGS system on their securities settlement systems in accord with the net payment



instructions received from VS. Responsibility for completion is not, however, transferred to the Central Bank in the case of conditions not being met.

Monetary settlement is carried out by the Central Bank transferring/entering net payments between the securities settlement accounts of the participants, in accord with confirmed underlying securities transactions based on netting amounts handled by RB on behalf of VS in accord with transfer orders sent in from the VS system, and sent on VS's responsibility, in accord with existing authority from settlement agents. After this, the Central Bank notifies VS that the monetary settlement of the underlying securities is guaranteed.

#### 4.2. Seller's access to net sale value of securities

When confirmation has been given that transfer of electronic securities has been completed, the Central Bank transfers/enters the transferred funds to the seller's RTGS accounts, after which the sellers have full access to the net sales value of the securities.

Both aspects of the settlement are to be carried out simultaneously at 11:45 on the one hand and at 15:00 on the other hand, provided that confirmation has been given that the underlying securities and funds are available and accessible for settlement by VS and the Central Bank.

### 5. Business hours – final settlement

The securities settlement system operates from 9:00 to 17:00 on banking days.

#### 5.1. Times and processes in securities settlement

The first settlement batch takes place at 11:45 and the second batch at 15:00. Before this, the following preparatory steps must be completed at the following times, according to the normal settlement procedure:

17:01 The day before securities settlement (S-1), VS sends settlement agents and the Central Bank provisional information on their payment obligations with respect to the settlement.

#### **The first settlement batch:**

**09:00-11:15** Netted transactions are kept on allocation accounts until the account operator has entered information on the identity of the final buyer/seller. Allocated transactions are locked in after 11:15 due to the settlement that takes place at 11:45. VS cancels transactions which are in a negative position.

**11:15** VS carries out a provisional settlement in order to ascertain whether sufficient securities are in place for completion of settlement. VS cancels transactions which are in a negative position. Settlement agents must have deposited funds in their securities settlement accounts at the Central Bank on the settlement day before 11:00 in accord with the information sent out by VS at 17:50 on the day before settlement (S-1). The Central Bank confirms to VS whether buyers have met this obligation or not.

**11:20** VS sends its final transfer list to the Banks Data Centre (RB) for netting due to settlement that takes place at 11:45. At this point all parties are sent information on the payment obligations, they are accountable for in their RTGS accounts. 11:20-11:30. VS, or RB on behalf of VS, informs the CBI on net payment obligations (i.e. expected payment orders) that are to be executed. CBI confirms that the relevant Account Operator has sufficient deposit on its RTGS account in order to meet its obligations according to payment record that has been sent or alerted if otherwise. Should the provisional settlement reveal that account operators (sellers) do not have sufficient securities for settlement, respective transactions must be resubmitted to the netting box, with a new settlement date. VS sends both parties information on the transaction which has to be cancelled, and sends the relevant settlement banks information on payment obligations. VS shall notify the Central Bank of cancelled transactions.

**11:30** If it transpires that a settlement agent lacks sufficient funds to meet its payment obligation, VS unilaterally cancels a sufficient amount of its securities purchases to enable settlement to take place. After this VS sends a new transfer list to RB, which recalculates the settlement. The transactions will be cancelled in accordance with VS' rules, which authorizes the selection of transactions for cancellation so that the progress of settlement can be ensured within the required time limit. VS shall inform the Central Bank of cancelled trades according to Article 3 Paragr. 3 of the parties Agreement on Clearing and Settlements of Securities. The parties have the necessary securities in their accounts at VS to complete the securities settlement, and funds in their securities settlement accounts to meet their payment obligations. RB calculates net transfer orders for the settlement agents, and sends the transfer orders to the Central Bank.

**11:30** If cancellations are so extensive that it is foreseeable that the time limits for the settlement process cannot be met, VS has authority to keep the system closed beyond the normal settlement time until the settlement has been guaranteed, i.e. until complete reconciliation has been achieved between securities and funds in the settlement.

**11:45** VS settles the securities, and sends the Central Bank confirmation that settlement has been completed. As a result of confirmation from VS the Central Bank transfers/enters net settlement transactions between the buyers and sellers securities settlement account, and sends VS confirmation that the settlement has been completed and transfers funds from securities settlement accounts into RTGS accounts.

#### **The second settlement batch:**

**11:46-14:30** Netted transactions are kept on allocation accounts until the account operator has entered information on the identity of the final buyer/seller. Allocated transactions are locked in after 14:30 due to the settlement that takes place at 15:00. VS cancels transactions which are in a negative position.

**14:30** VS carries out a provisional settlement in order to ascertain whether sufficient securities are in place for completion of settlement. VS cancels transactions which are in a negative position.

**14:35** VS sends its final transfer list to the Banks Data Centre (RB) for netting due to settlement that takes place at 15:00. At this point all parties are sent information on the payment obligations, that they are accountable for in their RTGS accounts.

**14:35-14:45** VS, or RB on behalf of VS, informs the CBI of net payment obligations (i.e. expected payment orders) that are to be executed and CBI confirms that the relevant Account Operator has sufficient deposit on its RTGS account in order to meet its obligations.

**14:45** If it transpires that a settlement agent lacks sufficient funds to meet its payment obligation, VS unilaterally cancels a sufficient amount of its securities purchases to enable settlement to take place. After this VS sends a new transfer list to RB, which recalculates the settlement. The transactions will be cancelled in accord with the VS rules, which authorizes the selection of transactions for cancellation so that the progress of settlement can be ensured within the required time limit. VS shall inform the Central Bank of cancelled trades according to Article 3 Paragr. 3 of the parties Agreement on clearing and settlements of securities.

**14:45** If cancellations are so extensive that it is foreseeable that the time limits for the settlement process cannot be met, VS has authority to keep the system closed beyond the normal settlement time until the settlement has been guaranteed, i.e. until complete reconciliation has been achieved between securities and funds in the settlement.

**15:00** VS settles the securities, and sends the Central Bank confirmation that settlement has been completed.

As a result of confirmation from VS the Central Bank transfers/enters net settlement transactions between the buyer's and seller's securities settlement account, and sends VS confirmation that the settlement has been completed and transfers funds from securities settlement accounts into RTGS accounts.

## 5.2 Deviations from the normal settlement process

Should a situation arise where account operators or settlement agents lack the necessary securities or funds for settlement the completion of settlement, i.e. transfer of securities and funds between buyers and sellers, and the reopening of the system, is postponed. VS and the Central Bank maintains a detailed record of all such deviations, and send each other information on them. Account holders and/or settlement agents which do not comply with the provisions on delivery of securities or funds for settlement at the correct time shall pay a fine to VS, in accord with its tariff.

Should an account operator or settlement agent have neglected their duties, VS must reprimand the relevant party in writing, and in cases of repeated negligence the Central Bank and VS can cancel the relevant party's membership of securities settlement.

## 5.3 Entry into force

This agreement takes effect on June 10<sup>th</sup> 2013. From the same time, the prior settlement arrangement between the parties, under an agreement of August 2009, no longer applies. Both parties may request revision or cancellation of the agreement, at six months' notice.

#### 5.4 Disputes.

Should any dispute arise from this agreement, the case shall be submitted to the Reykjavík District Court, under Act no. 91/1991.

The agreement is signed in two identical copies, one for each of the parties.

Reykjavík, May 30<sup>th</sup> 2013.

CENTRAL BANK OF ICELAND

ICELAND SECURITIES  
DEPOSITORY Ltd (VS)

Már Guðmundsson  
Governor

Einar Sigurjónsson  
CEO

Guðmundur Kr. Tómasson  
Director

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