FJÁRMÁLAEFTIRLITIÐ
THE FINANCIAL SUPERVISORY AUTHORITY, ICELAND

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Guidelines

No. 2/2012

on the Enforcement of Rules No. 1050/2012 on Treatment of Inside Information and Insider Trading

Issued on the basis of the second paragraph of Article 8 of Act No. 87/1998 on the Official Supervision of Financial Activities

11 December 2012

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1. General

1.1. The Financial Supervisory Authority is issuing these guidelines on the Authority's Rules on the treatment of inside information and insider transactions on the basis of the second paragraph of Article 8 of Act No. 87/1998 on official supervision of financial activities.

1.2. In the preparation of the guidelines account was taken of guidelines issued earlier by the Financial Supervisory Authority, the practice of recent years and the Authority's experience regarding the issue of guidelines regarding its earlier rules. Account was also taken of the practice in other Nordic countries regarding substantively similar matters.

1.3. The Guidelines are issued for the purpose of providing participants in the securities markets with general guidance regarding the Rules of the Financial Supervisory Authority No. 1050/2012 on the treatment of inside information and insider transactions established on the basis of Article 132 of Act No. 108/2007 on securities transactions ("the Securities Transactions Act").

1.4. These are general instructions issued by the Financial Supervisory Authority in further clarification of the minimum requirements made in Rules No. 1050/2012 regarding the treatment of inside information and insider transactions. Their objective is to explain the provisions of the Rules in general terms and to provided guidance on practice with regard to the Rules. An attempt is also made to clarify the more complex provisions. However, these are not exhaustive explanations.

1.5. The guidelines are primarily issued as guidance regarding specific issues. The guidelines will begin with a summary of the principal provisions of the Securities Transactions Act relating to these matters and a general discussion of the purpose of the applicable rules.

2. Provisions of Chapter XIII of the Act on securities transactions

2.1. The handling of inside information and insider trading are discussed primarily in Chapter XIII of the Securities Transactions Act. The term "inside information" is defined as follows in the Chapter:

> "Insider information" shall mean sufficiently precise information which has not been made public, relating directly or indirectly to issuers of financial instruments, the financial instruments themselves or other aspects, and which would be likely to have a significant impact on the market price of the financial instruments if made public, as provided for in detail in a regulation established under Article 131. [Information is regarded as having been made public when the issuer of a financial instrument has made the information public in the European Economic Area, as provided in Articles 122 and 127.][1)] …[1)]

2.2. Making information public means the disclosure to the general public in the European Economic Area on a non-discriminatory basis of all available inside information by an issuer. Public disclosure of of information is discussed in further detail in Regulation No. 707/2008 on the provision of information and notification requirements in accordance with the Securities Transactions Act.

2.3. The concept of inside information, measures, disclosures and time limits for disclosure of information and exemptions from the public disclosure of information are discussed further in Regulation No. 630/2005, which addresses inside information and market abuse.

2.4. Also, Chapter XIII of the Securities Transactions Act contains definitions of different types of insiders, who are differentiated, *inter alia*, on the basis of their access to inside information.

An "insider" shall mean:

1. A primary insider, i.e. a party who has, as a rule, access to insider information by virtue of his/her membership of a board of directors, management or supervisory bodies or owing to other work for an issuer of financial instruments;
2. A temporary insider, i.e. a party who is not considered a primary insider but who possesses insider information by virtue of his/her employment, position or responsibilities; and
3. Any other insider, i.e. a party who is considered neither a primary insider nor temporary insider, but has knowledge of insider information, provided that the person in question knew or should have known the nature of this information.

2.5. This chapter of the Act also discusses lists of insiders that include information on primary insiders and temporary insiders, notification of their legal status, in what way and under what circumstances primary insiders are permitted to trade and which trades must be made public.

2.6. In addition, the Chapter addresses actions which are prohibited to insiders, i.e. insider misconduct

Insiders must not:

1. Directly or indirectly acquire or dispose of financial instruments, either on their own account or for others, if they possess insider information;
2. Disclose insider information to a third party unless in the normal course of the employment, profession or duties of the party providing the information;
3. Advise third parties, on the basis of insider information, to acquire or dispose of financial instruments or in other respects encourage trading in the financial instruments.

The provisions of paragraph 1 shall also apply to:

1. Legal persons and parties participating in decisions on transactions in financial instruments on the account of the legal person;
2. Parties possessing insider information as a result of illegal actions.

2.7. The Chapter addresses supervision of the handling of inside information and insider trading, and Article 130 of the Securities Transactions Act provides as follows:

The board of directors of an issuer of financial instruments admitted to trading on a regulated market or traded on an MTF is responsible for ensuring compliance with rules issued by the Financial Supervisory Authority on the basis of Article 132 on the treatment of insider information and insider trading. The board shall appoint a compliance officer or formally approve the appointment. A deputy compliance officer shall be appointed in the same manner. The compliance officer is responsible for ensuring compliance with the above rules within the issuer and shall submit a report to the issuer's board on the implementation of compliance enforcement as often as needed and at least once a year.

Public authorities and other parties that regularly receive insider information in the course of their activities must comply with the rules of the Financial Supervisory Authority on the treatment of insider information and insider trading, as applicable.

2.8. According to Article 132 of the Securities Transactions Act, the Financial Supervisory Authority shall establish rules on:

1. The treatment of insider information, including how to prevent insider information from becoming available to others than those who need such information for their work;
2. Insider trading, including how to fulfil the duty of primary insiders to investigate, as provided for in Article 125;
3. The role and position of compliance officers, cf. Article 130;
4. Recording of communications that take place on the basis of the rules provided for in Article 130;
5. A definition of financially connected parties;
6. Lists of insiders;
7. Notifications of trading by primary insiders, management and financially connected parties.

1.1 The rules that apply to the treatment of inside information and insider trading are laid down in the Securities Transactions Act, regulations issued pursuant to that Act and the rules of the Financial Supervisory Authority. The guidelines will now address the purpose of the rules that apply to these matters and concern the Rules of the Financial Supervisory Authority on the treatment of inside information and insider trading.

3. General points on the handling of inside information and insider trading

3.1. The Rules on the treatment of inside information and insider trading in the marketplace have a varied purpose. Among other things, the Rules are intended to protect investors, issuers of financial instruments and the credibility of the securities market as a whole.

3.2. The Rules are intended to ensure non-discrimination among investors as regards their access to information which is likely to have a significant influence on the market value of financial instruments. It is therefore important for such information to be made public as promptly as possible and in conformity with practice which is elucidated in laws and regulations. In cases where information cannot be disclosed promptly it is important to prevent inside information from being disclosed to unauthorised persons and to maintain oversight of the persons possessing the information. Also, certain predetermined procedures need to be observed with regard to trading by primary insiders and their financially related parties; such trading is subject to a requirement of disclosure.

3.3. In addition to the above, the Rules are intended to ensure transparency in the financial markets and promote clearer price formation and integrity in securities trading.

3.4. The Rules of the Financial Supervisory Authority are minimum criteria, and the Authority encourages issuers to elaborate them in further detail and adapt them to circumstances with regard to organisation, structure and size. This applies also to government bodies and other parties receiving regular inside information in their business activities; the Rules apply to such persons as appropriate.

3.5. It should be noted that orderly handling of inside information, fixed procedures and active controls also improve the legal certainty of those who operate under the Rules.

3.6. The guidelines will now provide guidance on individual provisions of the Rules of the Financial Supervisory Authority No. 1050/2012, on Treatment of Inside Information and Insider Trading. Each article of the Rules is followed by general guidance.

4. Guidance on individual provisions of the Rules of the Financial Supervisory Authority No. 1050/2012.

4.1 Scope

Article 1

The provisions of these rules apply to issuers of financial instruments: The following financial instruments are involved:

1. *Financial instruments that have been admitted to trading or requested to be admitted to trading on a regulated market in Iceland, the European Economic Area (EEA) or comparable foreign markets and financial instruments traded on a multilateral trading facility (MTF) in Iceland; and*
2. *Financial instruments which are linked to one or more financial instruments of the types referred to in point 1.*

The Rules also apply to insiders and parties financially connected to them and their transactions with financial instruments as referred to in the first paragraph.

Public authorities and other parties who regularly receive inside information in their activities shall follow the rules as applicable.

According to the first paragraph of Article 1, the Rules apply to the issuers of certain financial instruments, similarly to the first paragraph of Article 119 of The Securities Transactions Act. Special note should be taken of the definition of "financial instrument" in point 2 of the first paragraph of Article 2 of the Securities Transactions Act. Reason was also seen to note specifically that the provisions apply to issuers of financial instruments. Like the provisions of the Act, the Rules apply also to financial instruments where are linked to one or more financial instruments. The first paragraph therefore focuses on defining which issuers are required to observe the Rules.

According to the second paragraph of Article 1, the Rules apply to insiders, as defined in the Securities Transactions Act, and their financially related parties. It is specified that the Rules also apply to their trading in financial instruments. This does not represent a substantive change from the earlier rules, but a further explanation, as the Rules apply both generally and to trading by insiders (and their financially related parties). Trading by such parties refers to trading in the financial instruments referred to in the first paragraph.

The third paragraph of Article 3 refers to public authorities and others who regularly receive inside information. According to the second paragraph of Article 130 of the Securities Transactions Act, such parties are required to observe the Rules. "Public authorities" should be understood in the normal definition of that term. Other parties that regularly receive inside information could include financial undertakings licensed to trade in securities, official control authorities, lawyers and auditors.

4.2 Responsibility of the board of directors and position of the compliance officer

Article 2

The Board of Directors of an Issuer of financial instruments is responsible for ensuring that these Rules are enforced.

The Issuer's Compliance Officer supervises the enforcement of the Rules by the Issuer.

The compliance officer is entrusted with the role of supervising enforcement of the Rules, but it is the board of directors which supervises compliance with the Rules. The purpose of appointing a specific person to supervise enforcement of the Rules is to ensure that issuers take care in their implementation in order to enhance confidence in the market.

The board of directors shall review the report of the compliance officer and analyse its substantive contents based on their role and responsibilities. Where necessary, the board of directors shall respond to comments made by the compliance officer and request appropriate corrective actions within the undertaking. Decisions of the board of directors shall be entered in the minutes of board meetings.

The Rules refer primarily to the issuer, but also to the undertaking and company. However, for the sake of context, reference is sometimes made directly to the compliance officer.

4.3. Appointment of a Compliance Officer and termination of employment

Article 3

The board shall appoint a Compliance Officer or formally approve his/her appointment. If the Compliance Officer is not appointed by the Board of Directors, his/her appointment shall take effect when the Board of Directors has confirmed it. A deputy Compliance Officer shall be appointed in the same manner. A legal entity may not be appointed as Compliance Officer.

The Financial Supervisory Authority shall be formally notified without delay of the appointment of a Compliance Officer and deputy Compliance Officer. The notification must be accompanied by a copy of that portion of the minutes of the Board meeting where the appointment of the Compliance Officer or deputy Compliance Officer was dealt with.

The Financial Supervisory Authority shall be formally notified without delay of the dismissal of a Compliance Officer or deputy Compliance Officer, as well as the reasons for the termination of his/her employment.

The Board of Directors is responsible for having appropriate notifications sent to the Financial Supervisory Authority.

It is mandatory for the board of directors to take responsibility for the decision of appointing a compliance officer by confirming the appointment, especially if the board does not appoint the person in question. This applies, for instance when a person within an undertaking is appointed to serve as compliance officer concurrently with other duties. The board of directors is responsible for compliance with the Rules and the compliance officer is responsible for supervising their enforcement. It is therefore important for the board of directors to make decisions on appointment and termination of employment. The provisions of the Rules regarding the compliance officer shall apply to his/her deputy, as applicable..

The compliance officer shall in all cases be a designated natural person. It is important for the board of directors to scrutinise the qualifications of the natural person in question to assume the position of compliance officer, as provided in Article 4 of the Rules.

The substance of a notification to the Financial Supervisory Authority shall include the name and ID number of the person in question, the date of appointment, as decided by the board of directors, and a transcript from the minutes. It is also appropriate to include relevant information on the background of the person in question with regard to the position (based on the established qualification criteria). The signed notification and transcript from the minutes of the board of directors shall be sent to the Financial Supervisory Authority by post or by e-mail to the Authority's e-mail address, fme@fme.is. The same applies to the termination of employment of the compliance officer, whether he/she resigns voluntarily or is dismissed.

The board of directors is permitted to instruct the managing director of an undertaking to send the appropriate notifications, e.g. if the compliance officer has been dismissed.

It should be noted that access to the Financial Supervisory Authority's reporting system must be prepared for a new compliance officer, and at the same time access should be closed to the departing compliance officer. The compliance officer can execute such commands if he/she has access to the Financial Supervisory Authority's reporting system.

4.4. Compliance Officer's qualifications

Article 4

The Compliance Officer must have satisfactory knowledge to be able to fulfil the position of Compliance Officer.

The Compliance Officer must have knowledge of the Acts and Rules which apply to treatment of inside information and insider trading. He/She must also have a thorough knowledge of the Issuer's activities and the field of its operations. It is also important that the Compliance Officer has knowledge of the type of financial instruments which the Issuer has had admitted to trading and of the regulated securities market or MTF in question.

The Compliance Officer shall be independent in his/her work.

In order for a compliance officer to be able to perform his/her office in a satisfactory manner, the person in question must possess adequate knowledge to discharge his/her duties; the board of directors must take this into consideration in the appointment of a compliance officer.

Among other things, a compliance officer must be able to evaluate the substantive content of information, e.g. whether the information constitutes inside information based on the applicable laws and regulations, and therefore the knowledge is necessary. It is also important for the person in question to understand and possess knowledge of the financial instrument in question and the market/MTF where an issuer's instrument has been admitted to trading in order to discharge his duties in an adequate manner.

Furthermore, the Financial Supervisory Authority is of the opinion that it is appropriate for the person in question to possess knowledge of other rules that apply to issuers of financial instruments, such as rules on flagging (significant changes in voting rights), the publication of occasional information (e.g. annual accounts) and rules that apply when a take-over bid has been made.

It is important for a person appointed to serve as compliance officer to be independent in his/her work.

With some issuers, the post of compliance officer is not a full-time position. In such cases it is appropriate to select for the position a person who is charged with duties within the undertaking which are useful in monitoring compliance.

4.5. Access to documents and information

Article 5

The Compliance Officer shall have unlimited access to such information and data as is necessary to be able to fulfil his/her duties. It is up to the Compliance Officer to assess what information and data this is in each instance.

The Compliance Officer shall be notified in good time of information which may be necessary for his/her work.

Data refers, for example, to draft agreements and information refers, for example, to access to meetings within the undertaking, e.g. joint meetings of the managers of functional units with the executive officer of the undertaking. Although a compliance officer is required to have access to all data it is clear that the compliance officer cannot always know everything that happens within an issuers unless he or she is informed. For this reason employees, executive offers and board members are required to report to the compliance officer and keep him or her informed, see further Article 10 on evaluation of information. Parties shall, on their own initiative and in a timely manner, e.g. before information has become "sufficiently specific" to constitute inside information, inform the compliance officer of such information.

The Financial Supervisory Authority reiterates that outsourcing the work of a compliance officer is subject to the condition that the person in question has access to information and data and is informed in a timely manner of information that he or she may need for the discharge of his or her duties.

4.6. Role of the Compliance Officer

Article 6

The Compliance Officer supervises the enforcement of these Rules by the Issuer. In his/her absence, the deputy Compliance Officer shall supervise this

The Compliance Officer's role includes:

1. *giving an opinion as to the nature of information, having regard for the definition of the concept of inside information;*
2. *giving an opinion as to whether disclosure of inside information may be delayed;*
3. *having oversight of the treatment of inside information if its disclosure has been delayed;*
4. *handling tasks connected with insider lists and lists of financially connected parties;*
5. *providing primary insiders with advice concerning the duty to investigate;*
6. *receiving notifications of primary insider transactions;*
7. *sending notifications of primary insider and management transactions;*
8. *seeing to the instruction of directors, the managing director and employees;*
9. *handling communications on behalf of the Issuer with the Financial Supervisory Authority;*
10. *maintaining a Record of Communications;*
11. *seeing to the preparation and presentation of a report to the Board of Directors.*

These Rules discuss in detail individual matters and lay down the role of the compliance officer with regard to such matters. For the purpose of simplification the main factors are specified that require the involvement of the compliance officer and thereby determine his or her role.

4.7. Record of Communications

Article 7

The Compliance Officer shall record communications carried out on the basis of the Rules in a special Record of Communications. The communications shall be recorded in chronological order and it must be ensured that no alterations can be made to the Record without the changes and previous entries being visible. An account must be given of the reasons for changes. Communications must be recorded in a book with numbered pages or in a systematic manner in electronic format. The Record of Communications must be preserved for a minimum of seven years.

If the Compliance Officer sees cause for so doing, he/she shall make an entry in the Record when an assessment has been made of certain information and the assessment has resulted in a conclusion that no inside information was involved. The Compliance Officer must record the reason if such was not considered to be the case. However, the Compliance Officer must always make an entry in the Record of Communications if, in his/her estimation, inside information was involved but the managing director did not agree, and the reasons for this.

When a decision has been taken to delay disclosure of inside information due to the Issuer's legitimate interests, this shall be entered in the Record of Communications, together with the Issuer's grounds for delay, having regard for the Acts and Rules which apply to delay of inside information disclosure.

The Compliance Officer shall also keep a record of his/her communications with the Issuer's insiders carried out on the basis of the Rules. Entries concerning insider transaction, when an insider fulfils his/her duty to investigate and the first step of the duty to give notice, i.e. notification of an intended transaction, must contain the following details:

1. *the insider's name as well as names of financially connected parties, if applicable;*
2. *when (date and time) the insider requests the Compliance Officer's advice concerning transactions in the Issuer's shares or financial instruments connected to them;*
3. *whether the Compliance Officer is of the opinion that inside information exists within the Issuer and whether the Compliance Officer's advice was to advise against the party concluding the transaction or whether he/she raised no objections to it. The time when the Compliance Officer's advice was given shall be recorded exactly.*

When an insider fulfils the second step of the duty to give notice, i.e. sends notification of a transaction after it has been concluded, notification should be given of those details listed in Art. 21 of the Rules. Entries regarding such by the Compliance Officer in the Record of Communications shall contain these details or copies of notifications to the Financial Supervisory Authority and the notification which was made public, as applicable.

Communications made on the basis of the Rules shall be entered in the Record of Communications; these include, first, communications relating to the analysis and disclosure of inside information; second, communications relating to delays of disclosures of inside information; and, third, communications with insiders, *inter alia* regarding their trades. One of the purposes of records in the Record of Communications is to ensure subsequent traceability.

The Record of Communications shall be preserved for seven years in accordance with Article 144 of the Act on securities transactions (limitation provisions), which provides that the power of the Financial Supervisory Authority to impose administrative fines pursuant to the Act shall lapse when seven years have passed from the time that the conduct ceased.

The compliance officer is responsible for management of the Communications Register and the communications of the compliance officer with other persons on the basis of these Rules.

It is important for communications to be recorded if changes are made, in which case the earlier records shall remain visible in order to make it possible to trace the changes. Only the compliance officer is permitted to make any alterations. The reason for the alteration shall be stated.

It is clear that when information is inside information such information shall be made public in accordance with law and rules unless such disclosure is postponed. Circumstances may arise where it is concluded that no inside information is available at a given time. The compliance officer shall enter such information in the Record of Communications if he or she considers necessary. However, the compliance officer shall always enter information in the Record of Communications if he or she and the managing director[1] of the issuer disagree whether any information constitutes inside information. The entry shall disclose the reasons given by the managing director for not publishing the information.

Once a decision has been made to delay the disclosure of inside information the decisions shall without exception be entered in the Record of Communications with details of the reason for the delay based on the applicable laws and rules. Where an "extraordinary" decision needs to be made to delay disclosure, this must be recorded; this is important, *inter alia*, with regard to subsequent provision of evidence regarding the taking of the decision.

The compliance officer is advised to record more rather than less information and provide more rather than less reasoning for specific entries. Also, the compliance officer may attach documentation to the Record of Communications.

4.8. Report to the board of directors

Article 8

The Compliance Officer shall submit to the Issuer's Board of Directors a report on carrying out compliance work as often as deemed necessary, but no less frequently than once a year.

The Compliance Officer's report shall provide the Board of Directors, firstly, with a summary of his/her work and, secondly, individual instances, if warranted. The Compliance Officer's general summary of his/her work shall include mention of:

[1] Managing directors refers to the person responsible for the day-to-day operation of the company as provided in the second paragraph of Article 68 of Act No. 2/1995 on limited liability companies.

1. *the Compliance Officer's position with the Issuer;*
2. *the Compliance Officer's access to information and data;*
3. *disagreement which has arisen concerning the assessment of information (with regard to inside information), if applicable;*
4. *information which has been disclosed during the period;*
5. *whether disclosure of inside information has been delayed during the period and a discussion of the Compliance Officer's opinion at the time of postponement, for instance, having regard to cautious treatment of inside information;*
6. *the Compliance Officer's opinion of the Board of Directors' criteria concerning who shall be placed on the list of primary insiders and who shall be considered the Issuer's management;*
7. *how many persons contacted the Compliance Officer due to their duty to investigate concerning proposed transactions;*
8. *how often the Compliance Officer advised against transactions by primary insiders;*
9. *whether any transactions took place without the duty to investigate and/or give notification being fulfilled;*
10. *the instruction which the Compliance Officer has provided and how this was given;*
11. *the Compliance Officer's relations with the Financial Supervisory Authority;*
12. *individual incidents which have arisen, if there is cause to mention such;*
13. *other points.*

The Compliance Officer may also submit a report to the Board of Directors concerning individual issues of contention if this is warranted.

Following the Compliance Officer's report to the Board of Directors on the implementation of compliance, the Issuer's Board of Directors shall see to it that suitable measures are taken by the Issuer if necessary.

When a Compliance Officer ceases employment, he/she must always deliver a report to the Board of Directors on the implementation of compliance from the latest report until termination of his/her employment.

A compliance officer reports to the board of directors, which is responsible for monitoring compliance with the Rules.

The compliance officer shall at a minimum once per year provide the board of directors with a general overview of the enforcement of compliance; however, the compliance officer can also submit a special report to the board relating to individual incidents if warranted in light of the board's responsibility. This could be necessary e.g. if the compliance officer and managing director disagree as to whether information is inside information to be disclosed according to law. In such cases the compliance officer shall record an entry in the Record of Communications and, if warranted in his or her opinion, report the matter to the board. Also, the compliance officer shall inform the Financial Supervisory Authority, if necessary.

It is important for the board of directors to respond if the compliance officer submits comments. The board of directors shall note such comments in the minutes and, if warranted, call for corrective action.

In light of the nature of the duties of the compliance officer, the Financial Supervisory Authority considers it important that a compliance officer should present to the board of directors the enforcement of compliance from the last report until the termination of office.

4.9. Compliance Officer's notification of possible violations to the Financial Supervisory Authority

Article 9

The Compliance Officer must notify the Financial Supervisory Authority of possible violations of provisions of the Rules, for instance, when:

1. *In the assessment of the Compliance Officer, a serious violation of Acts or Rules on disclosure of inside information could be concerned, cf. Chapter III of the Rules;*
2. *a primary insider concludes a transaction which the Compliance Officer has opposed, cf. Chapter V of the Rules.*

The compliance officer shall notify the Financial Supervisory Authority if there is any question of a violation. Assessment of the compliance officer's notification is the responsibility of the Financial Supervisory Authority.

4.10. Assessment of information and disclosure of inside information

Article 10

The employees, managing director and directors must inform the Compliance Officer in good time of information which could conceivably be considered inside information.

The Compliance Officer shall provide an opinion as to whether information is of such nature that it is considered inside information. If the managing director and the Compliance Officer disagree in their assessment of information, the Compliance Officer shall record this in the Record of Communications and account for this in a report to the Board of Directors. If the Issuer's Board of Directors does not accept the Compliance Officer's assessment and in the Compliance Officer's estimation a serious violation of Acts and Rules could be concerned, the latter must notify the Financial Supervisory Authority.

Specific procedures must exist within an undertaking concerning the treatment of inside information.

All inside information shall be made public as promptly as possible and following the methods provided for in Acts and Rules.

The persons within an issuer possessing inside information and/or information that may later constitute inside information (e.g. before it is adequately identified) should account for such information to the compliance officer. It is important for the compliance officer to have ready access to the issuer's top management, e.g. at their joint meetings, so that the compliance officer is well informed of proceedings within the company. As regards individual incidents, the compliance officer should be informed of them as they arise. The compliance officer shall be informed in a timely manner, i.e. before the information has the nature of constituting inside information.

The compliance officer should be an expert in assessing whether information constitutes inside information. The assessment is at the compliance officer's discretion, but a situation may arise where an issuer's managing director disagrees with the compliance officer after the latter has returned his or her opinion. In such circumstances the compliance officer shall enter in the Record of Communications the managing director's reasons for not publishing the information (i.e. the matter on which the managing director disagrees with the compliance officer). The compliance officer shall then provide an account of the matter in his or her report to the board of directors. It is clear that the compliance officer can, if circumstances warrant, submit a report to the board of directors on an individual matter which is serious and which the compliance officer considers important for the board of directors to be informed of in light of the board's responsibility. If the board of directors does not respond, the compliance officer shall, if warranted in light of the seriousness of a purported violation, report the matter to the Financial Supervisory Authority.

The compliance officer can also enter his or her assessment of the failure to disclose information in the Record of Communications, if warranted. It should be noted that projects may develop and therefore it must be assessed on a regular basis whether information constitutes inside information. Also, the compliance officer and managing director may agree that information does not constitute inside information, and at his or her discretion the compliance officer can note this in the Record of Communications together with the reasons for the decision.

The issuer shall have in place a defined procedure laying down the process of assessing information, the conduct of the assessment, public disclosure of inside information and delays in disclosure. Issuers of financial instruments in the market are diverse, e.g. as regards organisation, structure and size. It is therefore reasonable for issuers themselves to establish their own procedures so that it is clear what should be done in specific situations,

who should do what, who is responsible in any given instance etc. Also, an issuer may specify examples of what information could constitute inside information for the company in question, although such decisions are always subject to evaluation at any time. It would also be appropriate to establish general criteria for the company, e.g. as regards open and closed periods. An example of a closed period could be the last weeks before the publication of annual accounts or interim financial statements, where all trading by insiders is prohibited. Among the reasons for such a period is that trading during such periods may arouse suspicions and have a harmful impact on the issuer and the market as a whole.

All inside information shall be made public promptly in in accordance with Article 122 of the Securities Transactions Act. Such disclosure shall take place in accordance with the provisions of the Regulation on inside information and market abuse which, inter alia, provide for methods and time limits, and Regulation No. 707/2008 on provision of information and notification requirements in accordance with the Securities Transactions Act.

4.11. Legitimate delay of the disclosure of inside information

Article 11

The Compliance Officer shall provide an opinion as to whether the nature of information enables the issuer to avail itself of the authorisation of Acts and Rules to delay disclosure of inside information. If the managing director and the Compliance Officer disagree in their assessment of the conditions for legitimate postponement of disclosure of inside information, the Compliance Officer shall record this in the Record of Communications and account for this in a report to the Board of Directors. If the Issuer's Board of Directors does not accept the Compliance Officer's assessment and in the Compliance Officer's estimation a serious violation of Acts and Rules could be concerned, the latter must notify the Financial Supervisory Authority.

An Issuer delays disclosure of inside information on its own responsibility.

A decision on delay of the disclosure of inside information must be entered in the Record of Communications, cf. Art. 7 of the Rules, together with the grounds for the postponement.

In assessing whether inside information is of the nature that permits a delay of their disclosure a similar procedure is applied as in the case of assessing information. It is clear that when an issuer decides to delay the disclosure of information this is done on the issuer's own responsibility. It is the managing director who has the final word regarding the assessment, but the compliance officer shall record the incident if there is disagreement between them. The compliance officer then recounts the incident in a report to the board of directors and if the board does not respond, the compliance officer shall, if warranted in light of the seriousness of a purported violation, report the matter to the Financial Supervisory Authority. It is reiterated that there are no limits on the discretion of the Financial Supervisory Authority or its regulatory functions as regards such arrangements.

An issuer is permitted to delay disclosure of inside information on its own responsibility in conformity with the provisions of Article 122 of the Securities Transactions Act and the Regulation on inside information and market abuse No. 630/2005. The general rule is that issuers are required to publish inside information immediately. Delays in the disclosure of are exceptional, which issuers should note. Any delay must be supported by sound reasons. For the sake of example, reference is made to the first paragraph of Article 6 of Regulation No. 630/2005, which recounts the circumstance that may justify postponement of the public disclosure of inside information with regard to issuers' interests.

4.12. Cautious treatment of insider information

Article 12

If an Issuer avails itself of the authorisation to delay disclosure of inside information, it must ensure its cautious handling. An Issuer must limit access to inside information to those parties who require this in the course of their work for the Issuer and take measures to prevent unauthorised parties from being able to acquaint themselves with its substance or realising what sort of information is involved.

The Compliance Officer must have oversight over what parties possess inside information at any given time. The person in charge of a project which involves inside information is responsible for its cautious treatment. The Compliance Officer must be informed if inside information has been communicated onward. The Compliance Officer and/or the supervisor of the project in question must inform a recipient of inside information as to what sort of information is concerned, the confidentiality concerning the information, the responsibility involved in possessing inside information and the penalties for misuse or distribution of such information.

The Compliance Officer must see to it that lists of insiders are updated and send notifications to the Financial Supervisory Authority, in parallel with the communication of inside information and sending information to insiders on their legal position, cf. Section 17 of these Rules.

The Issuer shall take measures to ensure the immediate disclosure of inside information, should it prove to be impossible to ensure the confidentiality of the information.

Cautious handling of inside information where a decision has been made to delay public disclosure is an unconditional obligation, as one of the conditions for the exercise of permission to delay disclosure is the ability to ensure confidentiality of the information. If this proves impossible, i.e. ensuring confidentiality, the issuer must immediately make the information public. The issuer must therefore have taken measures to enable immediate disclosure of the information.

The information shall only be disclosed on a need-to-know basis and the compliance officer shall have an overview of who is in possession of inside information and thereby supervision of its dissemination. Also, prior permission must be obtained from the compliance officer for dissemination of the information. In handling documents containing inside information, regardless of the form of the documents, care shall be taken to prevent unauthorised persons from examining their content or understanding their nature.

Among other things, persons in possession of inside information shall use locked cabinets for documents, passwords for computers and take other measures to reduce the likelihood of inside information being disclosed to unauthorised persons. Reproduction of data containing inside information shall be kept to a minimum and copies shall be preserved with the same care as originals.

It should be noted that the same applies to persons such as proof readers, printers, advertisement agency staff and others who work for the company and have possession of inside information for reason of their work.

4.13. Preparing lists of insiders and criteria of the Issuer's Board of Directors

Article 13

The Issuer must send the Financial Supervisory Authority information on primary insiders, temporary insiders and parties financially connected to them. The Issuer's Compliance Officer must see to the compiling, amending, maintaining and submitting of lists of insiders and lists of financially connected parties to the Financial Supervisory Authority on the Issuer's behalf.

The undertaking's Board of Directors shall set criteria as to who shall be placed on the list of primary insiders. The Board of Directors shall also adopt criteria as to which primary insiders shall be regarded as management of the Issuer in connection with disclosure of information on management transactions.

The Compliance Officer shall be guided by relevant Acts and Rules, as well as the criteria of the Board of Directors, in deciding which individuals are considered primary insiders and shall be placed on the list of insiders, and which primary insiders are considered management.

As regards lists of insiders, reference is made to Article 128 of the Securities Transactions Act. It is the responsibility of the compliance officer to prepare lists of insiders, record all changes and send the list to the Financial Supervisory Authority. Insiders shall provide the compliance officer with the required information, see Article 17 of the Rules.

The compliance officer shall use for reference the criteria of the board of directors as to who should be included on the list of primary insiders. In the establishment of the criteria of the board of directors, account shall be taken, among other things, of the position of the person in question, his or her work and/or access to information. Account should also be taken of the definition of 'insider' in point 1 of the first paragraph of Article 1 of the Securities Transactions Act, where an insider is defined as a party who has, as a rule, access to insider information by virtue of his/her membership of a board of directors, management or supervisory bodies or owing to other work for an issuer of financial instruments. It is of no relevance whether parties work independently or in the employ of the issuer.

Among other things, a board of directors can examine and analyse the organization chart and handling of inside information within an undertaking in order to assess which persons fall within the definition as regards position or access to information. For guidance it may be appropriate, for example, to give attention to the access of the following: board members, managing director, heads of divisions, heads and employees of departments with direct access to inside information, such as information on financial position and important information on operations and operating plans and major contract negotiations by the issuer (e.g. IT division employees), internal auditors, secretaries of the board of directors, executives and managing directors, heads and, as applicable, employees of subsidiaries, securities firms responsible for marketing financial instruments, banks, consultants, auditors, lawyers and operation consultants. Also, the board of directors of an issuer shall establish guidelines on which primary insiders belong to management, as defined in Article 127 of the Securities Transactions Act. The board of directors can prepare such criteria together with criteria on primary insiders in the same document. The board of directors is not expected to be involved in identifying individual employees.

It should be noted that subsidiaries that have a significant impact on the performance of a parent company and subsidiaries with management ties are also primary insiders in the understanding of the Act. 'Management ties' refers, e.g., to a situation where a manager/key employee who makes investment decisions in a subsidiary is also a member of the board of directors of the parent company. However, if a subsidiary is not a primary insider according to the above the company should be listed as a financially related party.

Issuers of financial instruments in the market vary in size and type and it is therefore important for the board of directors of a company to establish criteria of this kind. The compliance officer relies on the criteria established by the board of directors and his/her assessment is based on the criteria and applicable laws and rules. It is the responsibility of the compliance officer to determine what persons should be included in an issuer's list of insiders. However, it should be noted that this makes no difference as regards the responsibility of individual persons as regards insider trading and/or the supervision by the Financial Supervisory Authority.

The compliance officer shall discuss the experience of the criteria in his/her report to the board of directors and the board can then subsequently review the criteria if necessary.

The compliance officer assesses on a case-by-case basis which persons working for the issuer are temporary insiders, who are persons who are not regarded as primary insiders but who possess insider information by virtue of their employment, position or responsibilities

4.14. List of primary insiders

Article 14

The Issuer must place all those persons covered by the definition of the concept of primary insider and the criteria adopted by the Issuer's Board of Directors, on a list of primary insiders. The list of primary insiders must specify:

1. *the Issuer's name and Reg. No. (if the Issuer does not have an Icelandic Reg. No. its similar identification number shall be listed);*
2. *the Issuer's address, postal code, location, country and telephone number;*
3. *the date the list of primary insiders in question was sent to the Financial Supervisory Authority;*
4. *the name, Id. No. and e-mail address of the Compliance Officer and his/her deputy (if the Compliance Officer does not have an Icelandic Id. No. his/her passport no. must be listed);*
5. *the regulated securities market where the Issuer's financial instruments have been admitted to trading or where admission to trading has been requested for them, or the multilateral trading facility (MTF) where the financial instruments in question are traded;*
6. *the date the person concerned acquired the status of primary insider;*
7. *the Id. No., name, address and postal code of the primary insider (if the primary insider does not have an Icelandic Id. No., his/her passport no. must be listed);*
8. *The primary insider's connection with the issuer.*

It is important to fill in the form correctly. As regards the identification of an issuer who does not possess an Icelandic registration number, a comparable identifier shall be recorded, i.e. its registration number in its home State, e.g. a 'national ID number". In the same manner, a passport number shall be used if the compliance officer his/her deputy or a primary insider does not have an Icelandic ID number.

The connection of a primary insider with an issuer shall be stated in a clear manner so that it can be understood by market participants.

4.15. List of temporary insiders

Article 15

The Issuer must place all persons covered by the definition of the concept of temporary insider on a list of temporary insiders. The list of temporary insiders must specify:

1. *the Issuer's name and Reg. No. (if the Issuer does not have an Icelandic Reg. No. its similar identification number shall be listed);*
2. *the Issuer's address, postal code, location, country and telephone number;*
3. *the date the list of temporary insiders in question was sent to the Financial Supervisory Authority;*
4. *the identification of the project;*
5. *the name, Id. No. and e-mail address of the Compliance Officer and his/her deputy (if the Compliance Officer does not have an Icelandic Id. No. his/her passport no. must be listed);*
6. *the regulated securities market where the Issuer's financial instruments have been admitted to trading or where admission to trading has been requested for them, or the multilateral trading facility (MTF) where the financial instruments in question are traded;*
7. *the date the person concerned acquired the status of temporary insider;*
8. *the Id. No., name, address and postal code of the temporary insider (if the temporary insider does not have an Icelandic Id. No., his/her passport no. must be listed);*
9. *The temporary insider's connection with the issuer.*

The Issuer must send the Financial Supervisory Authority a list when inside information exists and parties who are not on the list of primary insiders have been granted access to the information. If inside information exists concerning more than one event or circumstance concerning the Issuer, one list of temporary insiders should be sent for each event and/or circumstance.

When inside information is no longer available, the Financial Supervisory Authority shall be sent a list of deleted temporary insiders. This list shall specify the same details as are listed in the first paragraph.

For the list of temporary insiders similar information is requested as for primary insiders, in addition to identification of the project in question. Temporary insiders can be both employees of the issuer who are not on the list of primary insiders and external parties. The list shall include all persons connected with the event or circumstances in question who possess inside information and are not already on the list of primary insiders. In cases where an issuer discloses inside information to an administrative authority on the basis of legal permission, a court order etc., the issuer shall identify the authority in question as a temporary insider. It is then the responsibility of the authority to observe the Rules, cf. the third paragraph of Article 1 of the Rules.

As noted in the second paragraph, more than one list shall be submitted if more than one event or project is involved; it is therefore particularly important to identify projects on the list by means of an identifier. It is recommended that the compliance officer should manage the identifiers of projects. An issuer can therefore have more than one list of temporary insiders in existence at the same time and it is possible that the same person may be on more than one list with different identifiers.

It is noted that in the view of the Financial Supervisory Authority, if a list of temporary insiders exists, this constitutes confirmation of the existence of inside information in the issuer. Temporary insiders are therefore always prohibited from trading in the issuer's securities.

It is important to keep under close scrutiny who has access to inside information. This is determined not by the information (or the project) in its entirety, but the individuals who have access to the information at any time. It is therefore important to scrutinise who has access to information, and if certain individuals no longer possess inside information their names should be entered on a list of eliminated temporary insiders.

4.16. Lists of financially connected parties

Article 16

Those persons who are considered to be financially connected to both primary and temporary insiders shall be placed on the lists of financially connected parties. The following parties shall be considered parties financially connected to insiders:

1. a spouse or cohabiting partner;
2. Financially dependent children, adopted children and step-children in the home of the insider;
3. other relatives living in the insider's home and who have lived there for at least one year when a transaction takes place;

4. a legal entity
- *a) where the insider or a party listed in Points 1, 2 or 3 above serves as managing director,*
- *b) which is controlled, directly or indirectly, by the insider or a party listed in points 1, 2 and 3 above;*
- *c) other than those referred to in subparagraphs a or b, if its financial interests are interwoven with those of the insider or a party listed in Points 1, 2 or 3 above.*

The list of financially connected parties must specify:

1. *the Issuer's name and Reg. No. (if the Issuer does not have an Icelandic Reg. No. its similar identification number shall be listed);*
2. *the Issuer's address, postal code, location, country and telephone number;*
3. *the date the list of financially connected parties concerned was sent to the*
4. *Financial Supervisory Authority;*
5. *the identification of the project (on the list of parties financially connected to temporary insiders);*
6. *the name, Id. No. and e-mail address of the Compliance Officer and his/her deputy (if the Compliance Officer does not have an Icelandic Id. No. his/her passport no. must be listed);*
7. *the regulated securities market where the Issuer's financial instruments have been admitted to trading or where admission to trading has been requested for them, or the multilateral trading facility (MTF) where the financial instruments in question are traded;*
8. *the date the party concerned acquired the status of a financially connected party;*
9. *the Id. No., name, address and postal code of the financially connected party (if the person does not have an Icelandic Id. No., his/her passport no. must be listed);*
10. *the Id. No. of the insider to which the financially connected party is connected (if the insider does not have an Icelandic Id. No., his/her passport no. must be listed);*
10. *the financially connected party's connection to the insider.*

The Compliance Officer shall at least every six months remind insiders to check whether there have been changes to their financially connected parties and of their duty to notify the issuer of such changes.

Point 4 of the first paragraph includes, e.g., the issuer, the issuer's subsidiaries which are not primary insiders (see discussion of primary insiders in the introduction) and holding

companies owned by a primary insider and, as applicable, owned by financially related parties.

It should be noted that a a primary insider's obligation to investigate and report as regards trading by financially related parties rests with the primary insider and not the financially related party. It is important for primary insiders to explain carefully to their financially related parties the rules that apply to their trading and that communications between parties regarding permission to trade are always clear.

Reviews of the list of financially related parties should normally be conducted every six months in accordance with the second paragraph of Article 128 of the Securities Transactions Act. The provision refers generally to insiders, and not specifically to primary insiders, although, for obvious reasons, it applies only to primary insiders.

4.17. Notification to insiders, form for financially connected parties and statement

Article 17

The Compliance Officer shall send persons whom he/she places on a list of primary insiders and temporary insiders written notification of their legal status as insiders. The notification should inform the person concerned of the legal provisions which apply to insiders, treatment of inside information and insider trading, as well as a copy of these rules and information as to where they can be found. The person concerned shall also be informed of provisions of Acts and Regulations which apply to insider misconduct.

Primary insiders shall be informed specifically of the rules which they and parties financially connected to them must take care to comply with when they conclude transactions in financial instruments. It shall be pointed out especially to temporary insiders that they are completely prohibited from concluding transactions with the Issuer's financial instruments while they possess inside information and the same applies to parties financially connected to temporary insiders.

The notification of legal status sent to insiders must be accompanied by a form to be filled out listing financially connected parties. Insiders shall also be sent a statement to sign declaring that the insider and financially connected parties have acquainted themselves with the notification of the insider's legal status and the rules which apply to their transactions The insider must return both of these to the Issuer without delay. An Issuer must preserve the signed statement while the list of insiders is valid and for seven years after it has ceased to be valid.

An insider must be notified in writing when he/she has been removed from the list of insiders.

It is the Compliance Officer's task to prepare and send notifications of the insider's legal position together with accompanying documents, and to notify removal from such a list. It is also the Compliance Officer's responsibility to ensure that the relevant documentation from an insider is preserved.

It is the position of the Financial Supervisory Authority that it is sufficient to send notifications by e-mail. It is important to explain carefully what being an insider entails. It is also reiterated that notification is required when the name of the individual in question is placed on a list of insiders and also when a person is removed from such a list.

It should be noted that lack of knowledge of laws and rules that apply to insider trading does not reduce a person's responsibility.

A compliance officer is required to obtain a signed statement from an insider that he/she and his/her financially related parties have understood the notification regarding the legal status of an insider whenever the person in question is placed on a list of insiders.

The obligation of an issuer to preserve the statements of insiders is extended from one year to seven years in conformity with the limitation period provided for in the Act on securities transactions.

4.18. Submission of lists of insiders to the Financial Supervisory Authority, time limits and preservation of lists of insiders

Article 18

Lists of insiders must be sent to the Financial Supervisory Authority immediately when a request has been made that an Issuer's financial instrument be admitted to trading on a regulated securities market or trading has commenced with the instrument in an MTF Lists of parties financially connected to insiders shall be submitted in tandem with lists of primary insiders and temporary insiders.

All changes to information on insiders, including to financially connected parties, should be sent to the Financial Supervisory Authority immediately.

If there are no changes to the lists, the Financial Supervisory Authority should nonetheless be sent reviewed lists of insiders no less frequently than at six-month intervals.

Lists of insiders and lists of financially connected parties should be submitted electronically through the Financial Supervisory Authority's reporting system. Forms for lists of insiders and lists of financially connected parties are available in the reporting system.

The Issuer must preserve all lists of insiders which have been sent to the Financial Supervisory Authority for seven years from their date.

A compliance officer, on behalf of an issuer, can apply for access to the reporting system of the Financial Supervisory Authority when a completed application has been received by a regulated securities market or an MTF.

Instructions regarding the Financial Supervisory Authority's reporting system can be accessed on the Authority's website.

The website also includes a form for compliance officers to send to insiders regarding financially related parties as well as a template for issuer's statements, which should be be preserved by the issuer.

Lists of insiders are published on the Financial Supervisory Authority's website. The publication facilitates for securities firms the discharge of their normal guidance services to their customers and the notification of suspicious transactions to the Financial Supervisory Authority. Lists of temporary insiders and persons who are financially related to primary insiders and temporary insiders are not published.

As revealed in the second paragraph of Article 15 of the Rules, an issuer is required to send to the Financial Supervisory Authority a list of temporary insiders when inside information exists and parties who are not on the list of primary insiders have obtained access to the information. If inside information exists concerning more than one event or circumstance concerning the Issuer, one list of temporary insiders should be sent for each event and/or circumstance. The above requirements should always be observed regarding each list. It should be noted specifically that changes in information on insiders must be notified immediately, e.g. regarding removals of persons from lists of temporary insiders. Any previous list of persons who are financially related to the temporary insider is cancelled by such notification. If a person is included on more than one list of temporary insiders, i.e. with regard to more than one project, it is important to specify on the list of cancellations of temporary insiders in respect of which project the person in question no longer has the status of temporary insider.

The Securities Transactions Act notes specifically that an updated list of insiders must be sent to the Financial Supervisory Authority no less frequently than at six-month intervals. It is of no relevance if no changes have occurred. A compliance officer shall investigate whether any changes have occurred in primary insiders and remind primary insiders to update their lists of financially related parties.

It is the compliance officer who has access to the Financial Supervisory Authority's reporting system, and on starting his or her work he or she will be issued an access code and password to the system. The compliance officer shall preserve the access code and password in a manner that prevents unauthorised access to the system. All information sent

to the Financial Supervisory Authority through the compliance officer's access is sent on the responsibility of the compliance officer. When a compliance officer leaves his or her employment the issuer shall ensure that the access of the compliance officer to the reporting system is closed.

Lists and other material should be preserved for seven years, as the Financial Supervisory Authority's powers to impose administrative fines lapse when seven years have passed from the time that the conduct ceased, as provided in Article 144 of the Securities Transactions Act.

4.19. Obligation of Primary Insiders to Investigate

Article 19

A primary insider is subject to the duty to investigate, i.e. he/she is independently responsible for making sure that no inside information is available before he/she concludes transactions with an Issuer's financial instruments. The same shall apply to proposed transactions with financial instruments which are linked to the Issuer's financial instruments and to proposed transactions by parties financially connected with primary insiders

Primary insiders themselves must evaluate whether they possess inside information and if the insider is of the opinion that there is doubt in this regard he/she must contact his/her immediate superior or the Compliance Officer, if the superior is not available. The primary insider shall also seek the Compliance Officer's advice on proposed transactions if the primary insider is of the opinion that he/she does not possess inside information.

The Compliance Officer shall reply whether he/she is of the opinion that inside information exists within the Issuer and advise the primary insider regarding proposed transactions. By so doing the Compliance Officer assists the primary insider in satisfying his/her duty to investigate.

If inside information exists, the Compliance Officer's advice on the proposed transactions shall be to advise against the primary insider or a party financially connected to the insider concluding transactions. The Compliance Officer shall also point out to the primary insider that if he/she intends to conclude the transactions nonetheless, then he/she must inform the Compliance Officer of them and the Compliance Officer is obliged to send notice of such transactions to the Financial Supervisory Authority.

A primary insider must fulfil the duty to investigate on the date the transactions are envisaged. If the transactions are not concluded that day, the primary insider must begin the investigation once again.

A primary insider must be able to demonstrate in writing that he/she has fulfilled the duty to investigate prior to concluding transactions with the Issuer's financial instruments.

When the Compliance Officer or parties financially connected to him/her intends to conclude transactions, he/she must turn to the Issuer's managing director to fulfil the duty to give notice and investigate. In those instances the managing director shall look after sending notifications and other such tasks which the Compliance Officer would otherwise have done in accordance with Acts and Rules.

A primary insider is responsible for his or her own investigation obligation. This responsibility cannot be avoided by means of discussions with a superior and the compliance officer. The responsibility always rests with the insider and consulting the above parties is only a part of the responsibility. First and foremost, a primary insider must initially examine and assess the information in his or her own possession. This is done by examining his or her immediate environment. Through discussions with the compliance officer the insider receives information on whether any inside information is available elsewhere within the issuer, as the compliance officer should have an overview of such matters. Since the compliance officer is in a position to know whether any inside information is available within the issuer, he or she can give his or her opinion to the insider regarding a proposed transaction. If the compliance officer advises against a trade by an insider because inside information is available within the company the officer shall also inform the insider that if the latter intends to carry out the transaction nonetheless, he or she is required to report the transaction to the Financial Supervisory Authority and that the transaction could constitute a violation of the law.

A primary insider may be unaware of inside information even if such information is available within the issuer; in such an event the compliance officer is not permitted to inform the

primary insider of the nature of the information even if he or she advises against a transaction by the insider who is discharging his or her obligation to investigate. Furthermore, the compliance officer is not permitted to disclose what persons are in possession of such information.

A situation may also arise where an insider possesses inside information of which the compliance officer is for some reason unaware. In such cases the opinion of the compliance officer would not release an insider from responsibility for possible insider dealing.

The Financial Supervisory Authority recommends that insiders should communicate with the compliance officer in writing in order to facilitate verification of the communications, e.g. if the Financial Supervisory Authority should later request information on the execution of the transaction.

It should be noted that responsibility for investigation and reporting rests with the primary insider and not with financially related parties in cases where financially related parties engage in transactions which are subject to an obligation to report. It is therefore very important for primary insiders to explain carefully to their financially related parties the rules that apply to their trading and that communications between parties regarding permission to trade are always clear.

4.20. Duty of primary insiders to notify

Article 20

A primary insider must notify the Compliance Officer in writing before he/she or parties financially connected to him/her conclude transactions with the Issuer's financial instruments or financial instruments connected to them. If the primary insider has fulfilled the duty to investigate in writing and the Compliance Officer has not advised against the primary insider's transaction, the primary insider is deemed to have fulfilled this part of his/her duty to notify

After a transaction has taken place, the primary insider must immediately inform the Compliance Officer in writing that the primary insider or a party financially connected to him/her has concluded a transaction which is subject to the duty to notify. A notification of a primary insider must also inform the Compliance Officer of details which must be included under Art. 21 of the Rules, in order that notification of the transaction can be sent and, as the case may be, information disclosed on management transactions.

The Compliance Officer must that same day send notification of the transaction on behalf of the Issuer to the Financial Supervisory Authority.

If satisfactory information is not provided in the primary insider's notification, the Compliance Officer must immediately demand that the primary insider rectify the flaws in the notification. If the insider does not comply with the Compliance Officer's demands for rectification the same day it is made, the Compliance Officer shall inform the Financial Supervisory Authority that an unsatisfactory notification has been received, together with the information available at that time.

The Compliance Officer shall notify the Financial Supervisory Authority of transactions concluded by a primary insider against the Compliance Officer's advice.

A primary insider who has fulfilled his investigation obligation in writing to the compliance officer and obtained the latter's opinion to the effect that the trade is permitted has thereby in reality fulfilled his obligation to report, i.e. he or she does not need to notify the compliance officer in writing that he or she, or his or her financially related parties, intend to carry out the transaction. A notice to the compliance officer of a proposed transaction is not adequate unless it is made in writing. Notification by a primary insider to the compliance officer of the execution of a transaction shall be sent without delay and contain the necessary information, as the Financial Supervisory Authority must be notified on the same day and a notice on management trading made public. A primary insider is required to submit such information without exception.

An issuer is required to notify the Financial Supervisory Authority of inadequate insider notifications so that it is clear that the issuer has received information on a transaction

carried out by an insider even though it is not possible to send a satisfactory notification on the appropriate form to the Authority. An inadequate notification shall be sent by e-mail to fme@fme.is within the same day that the notification is made if a request by a compliance officer for corrective action is unsuccessful. As soon as adequate information has been received the compliance officer is required to send to the Financial Supervisory Authority a notification with adequate information in the normal manner.

In cases where the opinion of the compliance officer is that a primary insider should not engage in a transaction and the latter decides to carry out the transaction anyway, the primary insider must notify the compliance officer of the proposed transaction (i.e. send a separate notification). It is reiterated that the compliance officer is required to notify the Financial Supervisory Authority of such instances.

It should be noted that the obligation to notify rests with the primary insider himself/herself, and not the employee of the financial undertaking that carried out the trade on his/her behalf.

Employees of financial undertakings who are issuers in a regulated securities market or MTF are not permitted to engage in dealings through another financial undertaking without attending to their investigation and notification requirements any more than if such employee engaged in the dealings in the issuer's financial instruments through his or her own undertaking. The obligation to report to investigate and report is always active.

4.21. Notification of the Financial Supervisory Authority

Article 21

The Issuer must send notification the same day of transactions by insiders and financially connected parties to the Financial Supervisory Authority.

The notification to the Financial Supervisory Authority must specify the following details:

1. *name of the Issuer;*
2. *date of the notification;*
3. *name of the primary insider, or financially connected party, as applicable;*
4. *The primary insider's connection with the issuer.*
5. *date of the transactions and at what time during the day they took place;*
6. *type of financial instrument;*
7. *whether a purchase or sale was concerned;*
8. *nominal value and price in the transactions;*
9. *nominal value of the primary insider's holding, on the one hand, and holdings of financially connected parties, on the other;*
10. *date of final settlement of the transaction, if applicable; and*
11. *further details, if applicable.*

The compliance officer shall send information on trades by an insider or his or her financially related parties to the Financial Supervisory Authority on the same day. The Financial Supervisory Authority will not publish the information, but it is an important factor in the Authority's investigations. According to law, trading by insiders and their financially related parties shall be notified on the same day through the Financial Supervisory Authority's reporting system.

Notifications to the Financial Supervisory Authority shall state the date of the notice. Obviously, this will be the date that the transaction takes place, since the Financial Supervisory Authority must be notified of transactions on the same date and with respect to the primary insider's obligation to investigate. Also, the time of the transaction should be noted and it is the position of the Financial Supervisory Authority that all trades should be noted in the case of a series of trades (within the day). The Financial Supervisory Authority's form permits the entry of one or more trades by each insider in a single notice, where their average is calculated.

It is important to report in a clear manner the connection of the primary insider with the issuer, both as regards trades by the primary insider himself/herself and a financially related party.

It should be kept in mind that information in a notification to the Financial Supervisory Authority of a transaction by a primary insider is the same information that should be disclosed publicly regarding trades by management.

4.22. Public disclosure of information on transactions

Article 22

An Issuer must immediately and in a non-discriminatory manner publicly disclose in the European Economic Area information on transactions by an Issuer's management with the Issuer's shares and other financial instruments related to them, provided the market value of the transaction amounts to at least ISK 500,000 or the cumulative change in the holding of the manager concerned in the Issuer's shares during the past four weeks amounts to at least ISK 1,000,000. Concurrently with the publication the issuer shall communicate the information to the Financial Supervisory Authority.

The Compliance Officer shall, on behalf of the Issuer, compile and make public information on management transactions and in parallel to this send a notification to this effect to the Financial Supervisory Authority

The compliance officer shall publish information on trading by an issuer's management as promptly as possible. Such notification shall include the same information as required in a notice to the Financial Supervisory Authority pursuant to Article 21 of the Rules.

It is important to report in a clear manner the connection of the primary insider with the issuer, both as regards trades by the primary insider himself/herself and a financially related party.

The information to be published regarding trading by management is preserved in a central storage facility of the Financial Supervisory Authority and can be accessed at the website http://oam.is/

Dealings of managers who are primary insiders and authorised to make decisions which can influence the future development and performance of an issuer have significant value as information for investors in the marketplace. The nature of this information makes it important to make it public at the required time. The Financial Supervisory Authority gives special attention to whether notifications of of this nature are clear and published in accordance with laws and rules and the Authority is therefore of the opinion that it is important for parties to have an opportunity to provide further information on the dealings if appropriate. This can be useful for further clarification for market stakeholders. To give an example, information to be disclosed publicly include transactions where an individual sells a share that he or she has previously owned to a company which is entirely owned by him or her – with the possibility that a mere transfer of assets is involved for the party in question. Such information should be made public, and therefore it may be appropriate to disclose in additional explanations that the transaction involves a transfer of this nature.

It should be kept in mind that information in a notification to the Financial Supervisory Authority of a transaction by a primary insider is of the same nature as information that should be disclosed publicly regarding trades by management.

4.23. Instruction on Acts and Rules on treatment of inside information and insider transactions

Article 23

The directors, managing director and employees of an Issuer must have knowledge of and access to those Acts and Rules which apply to treatment of inside information and insider trading.

The Compliance Officer shall see to instruction on the Acts and Rules which apply concerning the treatment of inside information and insider trading. The Compliance Officer shall instruct the Issuer's primary insiders especially on treatment of inside information and insider transactions, firstly, when the person concerned is placed on the list of primary insider and subsequently at regular intervals thereafter. Furthermore, the Compliance Officer shall assess what employees, apart from primary insiders, shall be given instruction on treatment of inside information and insider trading, with regard to the Issuer's treatment of inside information and their possible position subsequently as temporary insiders.

Primary insiders must be familiar with the rules that apply to the treatment of inside information and trading by insiders. The compliance officer shall be responsible for training for these parties; the training shall take place when a party is entered on a list of primary insiders and regularly thereafter. The compliance officer is an expert in these matters and shall closely monitor changes in order to be able to instruct the company's primary insiders.

It is also important for the compliance officer himself/herself to assess what other employees he or she considers to be in need of instruction regarding the handling of inside information and insider dealing. It is not a requirement for employees of the issuer who work, for instance, in production and never access information of the kind in question here, to have knowledge of these matters. The same does not apply to employees who can potentially gain access to such information in their work for the issuer.

It should be noted that the matter needs to be presented to new board members, managing directors and the appropriate employees.

4.24. Entry into force, etc.

Article 24

These Rules are issued on the basis of Art. 132 of Act No. 108/2007, on Securities Transactions, and shall enter into force one month after their issuance. Furthermore, the Financial Supervisory Authority's Rules No. 987/2006, on Treatment of Inside Information and Insider Trading shall become invalid.

In the opinion of the Financial Supervisory Authority it is reasonable for parties to be granted time to adapt new rules to their business activities, including government authorities that regularly receive inside information in their work and therefore need to improve their procedures.

Reykjavík, 11 December 2012.

THE FINANCIAL SUPERVISORY AUTHORITY

Unnur Gunnarsdóttir Halldóra Elín Ólafsdóttir