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No. 115 25 June 2021

ACT

on Markets in Financial Instruments

Entered into force on 1 September 2021, except Article 39, which entered into force on 1 November 2021, and the fifth paragraph of Article 48 which enters into force on 28 February 2023; on conflicts of law see Article 147. *EEA Agreement*: Annex IX, Directive 2014/65/EU, 2016/1034, Regulation 600/2014, 2016/1033, 2017/565, 2017/567. *Amended by:* Act 50/2022 (entered into force on 8 July 2022; *EEA Agreement:* Annex IX, Regulation 2017/2294, 2019/1011, 2021/527, 2019/2115, 2018/1717, Directive 2014/51/EU, Annex XXII, Directive 2004/25/EC).

Any mention in this Act of a Minister or Ministry, without specifying or referring to the function, refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act.

SECTION 1
Scope and definitions

Art. 1
Scope

This Act shall apply to investment firms, market operators, data reporting services providers, and third-country undertakings providing investment services or performing investment activities in Iceland. This Act shall also apply to investment firms when they provide ancillary services in close relation to investment services or activities. The scope of Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR), cf. Article 3, is subject to Article 1 of the Regulation.

The following provisions of the Act apply to credit institutions when they provide investment services and/or perform investment activities, as well as to ancillary services when they are provided in close connection with investment services or investment activities:

1. The second paragraph of Article 2, the fourth to sixth paragraphs of Article 10 and Articles 19 and 21 to 30.
2. Chapters II and III of Section 2.
3. Sections 8 and 9.
4. Articles 134, 139 and 140.
5. Section 11

The following provisions of the Act apply to investment firms and credit institutions when they sell structured deposits to clients or give advice thereon: The fourth to the sixth paragraphs of Article 10, Article 19, the first and second paragraphs of Article 21, Article 22, the first paragraph of Article 23, Articles 32 to 41, Articles 44 to 47, Article 49, Article 52 and Sections 8 and 9 in addition to Chapter I of Part VII of MiFIR.

The following provisions of the Act apply to UCITS management companies when they perform activities pursuant to the third paragraph of Article 5 of the Act on UCITS and alternative investment fund managers when they carry out tasks pursuant to the third paragraph of Article 9 of Act No 45/2020 on Alternative Investment Fund Managers: Articles 20 to 24 and 33 to 46.

Article 34 shall apply to the marketing communications of UCITS management companies and alternative investment fund managers.

Articles 25 to 27 shall apply to members of regulated markets and multilateral trading facilities (MTFs) that do not require authorisation under this Act pursuant to points (1), (5), (9) and (10) of the first paragraph of Article 2.

Section 4 shall apply to persons who are exempted from the scope of the Act pursuant to Article 2.

Multilateral systems shall be operated either in accordance with the provisions of Section 2 on MTFs and organised trading facilities (OTFs) or the provisions of Section 3 on regulated markets.

An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a trading venue shall act in accordance with Title III of MiFIR.

Transactions in financial instruments as referred to in the sixth and seventh paragraphs which are not concluded on multilateral systems or systematic internalisers shall comply with the relevant provisions of Title III of MiFIR.

Section 6 shall apply to netting and collateral requirements for derivatives.

Art. 2

Limitations of scope

This Act shall not apply to:

1. Insurance undertakings or undertakings carrying out the reinsurance and retrocession activities referred to in the Act on Insurance Activities.
2. Persons providing investment services exclusively for their parent companies, for their subsidiaries or for other subsidiaries of their parent undertakings.
3. Attorneys and statutory auditors where their services are provided in an incidental manner and in the course of their normal professional activities.
4. Persons dealing on own account in financial instruments other than commodity derivatives or emission allowances or derivatives thereof who only provide investment services or perform investment activities in commodity derivatives or emission allowances, or derivatives thereof, unless such persons are:
    a. market makers;
    b. members of or participants in a regulated market or an MTF or have direct electronic access to a trading venue, except for non-financial entities who execute transactions on a trading venue which are objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of those non-financial entities or their groups;
    c. applying a high-frequency algorithmic trading technique; or
    d. executing customer orders.
5. Operators with emission licenses under the Act on Climate Change who, when dealing in emission allowances, do not execute client orders and who do not provide investment services or perform any investment activities other than dealing on own account, provided that those persons do not apply a high-frequency algorithmic trading technique.
6. Persons providing investment services consisting exclusively in the administration of employee-participation schemes.
7. Persons providing investment services which only provide their parent undertakings, subsidiaries or other subsidiaries of their parent undertakings investment services which only

entail the administration of employee-participation schemes and the provision of investment services.

8. The members of the European System of Central Banks (ESCB) and other national bodies performing similar functions within the EEA, public bodies charged with or intervening in the management of the public debt within the EEA or in Britain and international financial institutions established by two or more Member States which have the purpose of mobilising funding and providing financial assistance to the benefit of their members that are experiencing or are threatened by severe financing problems.
9. Collective investment schemes and their depositaries. The same applies to operators and their depositaries.
10. Persons:
    a. dealing on own account, including market makers, in commodity derivatives or emission allowances, or derivatives thereof, excluding persons who deal on own account when executing client orders or
    b. providing investment services, other than dealing on own account, in commodity derivatives or emission allowances, or derivatives thereof, to the customers or suppliers of their main business.

    The persons in the first paragraph, however, are only exempt from the scope of the Act provided that:
    a. each of those cases individually and on an aggregate basis is considered an ancillary activity to their main business, when considered on a group basis;
    b. they do not belong to a group with the main business of providing investment services within the meaning of this Act or activities subject to authorisation under the Act on Financial Undertakings, or acting as a market-maker in relation to commodity derivatives;
    c. they do not apply a high-frequency algorithmic trading technique; and
    d. they report to the Financial Supervisory Authority, upon request, the basis on which they consider that their activity under points (a) and (b) of the first paragraph is ancillary to their main business.
11. Persons providing investment advice, without being specifically remunerated for it, in the course of providing another professional activity not covered by this Act.
12. A transmission system operator as defined by the Electricity Act when it provides investment services or activities in connection with commodity derivatives in performing its duties under that Act. However, the exemption does not cover operating a platform for secondary trading, such as in financial transmission rights.
13. CSDs, except in the cases set out in Article 73 of Regulation (EU) No 909/2014, cf. Act No 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments.

The rights conferred by this Act shall not extend to the provision of services as counterparty in transactions carried out by public bodies dealing with public debt.

The Central Bank of Iceland shall adopt detailed rules[1)] for establishing when an activity is to be considered to be ancillary within the meaning of point (a) of the second paragraph of point (10) of the first paragraph.

1) *Regulation 853/2022.*

Art. 3

Transposition

The provisions of the following regulations, as incorporated into the EEA Agreement, shall have the force of law in Iceland as amended by Decisions of the EEA Joint Committee No 78/2019 of 29 March 2019, published in the EEA Supplement to the Official Journal of the European Union No 88

of 31 October 2019, pp. 1–6, cf. also Protocol 1 of the EEA Agreement on horizontal adaptations, cf. Act No 2/1993 on the European Economic Area, which transposes the Protocol:

1. Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR), published in the EEA Supplement to the Official Journal of the European Union No 20 of 26 March 2020, pp. 1–65, as amended by Regulation (EU) No 2016/1033 of the European Parliament and of the Council amending Regulation (EU) No 600/2014 on markets in financial instruments, Regulation (EU) No 596/2014 on market abuse and Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories, published in the EEA Supplement to the Official Journal of the European Union No 20 of 26 March 2020, pp. 66–72.
2. Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, published in the EEA Supplement to Official Journal of the European Union No 20 of 26 March 2020, pp. 221–303 [cf. the corrigendum in EEA Supplement No 28 of 15 April 2021, p. 176, as amended by:
    a. Commission Delegated Regulation (EU) 2017/2294 of 28 August 2017 amending Delegated Regulation (EU) 2017/565 as regards the specification of the definition of systematic internalisers for the purposes of Directive 2014/65/EU, published in the EEA Supplement to the Official Journal of the European Union No 7 of 28 January 2021, pp. 450–451;
    b. Commission Delegated Regulation (EU) 2019/1011 of 13 December 2018 amending Commission Delegated Regulation (EU) 2017/565 as regards certain registration conditions to promote the use of SME growth markets for the purposes of Directive 2014/65/EU of the European Parliament and of the Council, published in the EEA Supplement to the Official Journal of the European Union No 7 of 28 January 2021, pp. 452–454;
    c. Commission Delegated Regulation (EU) 2021/527 of 15 December 2020 amending Commission Delegated Regulation (EU) 2017/565 as regards the thresholds for weekly position reporting, published in the EEA Supplement to the Official Journal of the European Union No 16 of 10 March 2022, pp. 12–13.][1]
3. Commission Delegated Regulation (EU) 2017/567 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions, published in the EEA Supplement to the Official Journal of the European Union No 20 of 26 March 2020, pp. 304–330.

Where this Act is referred to in the Act, it refers to the Act and EU regulations under this Article.

Reference to credit institutions authorised under Directive 2013/36/EU of the European Parliament and of the Council in Article 1(2) of MiFIR refers to a credit institution authorised under the Act on Financial Undertakings.

Reference to a third-country financial institution in Article 2(1)(41) of MiFIR refers to a third-country financial institution authorized to carry on business or to provide services requiring authorisation in Iceland under this Act, the Act on Financial Undertakings, the Act on Insurance Activities, the Act on Alternative Investment Fund Managers and the Act on Occupational Pension Funds.

Reference in Article 1(1) of Regulation (EU) 2017/565 to management companies within the meaning of Directive 2009/65/EC and Directive 2011/61/EU refers to management companies within the meaning of the Act on UCITS
and managers within the meaning of the Act on Alternative Investment Fund Managers.

Reference in Article 5(2) of Regulation (EU) 2017/565 to transmission system operators under Directive 2009/72/EC of the European Parliament and of the Council refers to transmission system operator within the meaning of the Electricity Act.

Reference in Article 7(3) of Regulation (EU) 2017/565 to derivative contracts for the purpose of Annex I to Directive 2004/39/EC of the European Parliament and of the Council refers to derivatives as defined in point (2)(g) of the first paragraph of Article 4 of this Act and other comparable derivatives based on emission allowances.

Reference in Article 41(4) of Regulation (EU) 2017/565 to prudential requirements under Directive 2013/36/EU of the European Parliament and of the Council or Directive 2014/59/EU of the European Parliament and of the Council refers to prudential requirements under the Act on Financial Undertakings. Reference in the same paragraph to the protection afforded in accordance with Directive 2014/49/EU of the European Parliament and of the Council refers to the protection afforded to depositors under the Act on Deposit Guarantees and Investor-Compensation Scheme.

Reference in Article 48(3) and points (2)(c) and (h) of Article 78 of Regulation (EU) 2017/565 to Directive 2003/71/EC refers to the Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market.

The reference in Article 20(2)(b) and Article 21(2)(b) of Regulation (EU) 2017/567 to coverage under Directive 2014/49/EU for structured deposits refers to the protection afforded to depositors under the Act on Deposit Guarantees and Investor-Compensation Scheme.

1) *Act 50/2022, Art. 1.*

Art. 4

Definitions

For the purposes of this Act, the following definitions apply:

1. *Member State:* A state that is a party to the EEA Agreement or the Convention Establishing the European Free Trade Association (EFTA) or the Faroe Islands.
2. *Derivatives:*
    a. Options, futures, swaps, forward rate agreements and any other derivative contracts based on securities, currencies, interest rates, yields, emission allowances, other derivatives, financial indices or financial measures that may be settled physically or in cash.
    b. Options, futures, swaps, forward rate agreements and any other derivative contracts based on commodities that must be settled in cash or may be settled in cash at the option of one of the parties, provided it is not due to default or other reasons allowing for termination of such a contract.
    c. Options, futures, swaps, forward rate agreements and any other derivative contracts based on exchange-traded commodities that can be physically settled, other than wholesale energy products traded on an OTF that must be physically settled.
    d. Options, futures, swaps, forward rate agreements and any other derivative contracts based on commodities that can be physically settled, other than those set out in point (c), that are not for commercial purposes, and which have the same characteristics as other derivative financial instruments.
    e. Derivatives for the transfer of credit risk.
    f. Financial contracts for differences.
    g. [Options, futures, swaps, forward rate agreements and any other derivative contracts based on climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties, other than by reason of default or other termination event, as well as any other derivative contracts based on assets, rights, obligations, indices and measures not otherwise mentioned in this point that have the characteristics of other derivative

financial instruments, having regard to whether, among other things, they are traded on a regulated market, OTF, or an MTF.][1)]

h. Emission allowances consisting of units as defined in the Climate Act.

3. *Algorithmic trading:* Trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, but not including any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions.

[4. *Predominantly commercial group:* A group whose main activity is not the provision of investment services, commercial banking pursuant to the first paragraph of Article 20 of the Act on Financial Undertakings, or market makers in commodity derivatives.][1)]

[5.][1)] *Retail investor:* A client who is not a professional investor.

[6.][1)] *Direct electronic access:* An arrangement where a participant or client of a trading venue permits a person to use its trading code to electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the participant or client, or any connecting system provided by the participant or client, to transmit the orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access).

[7.][1)]*C6 energy derivative contracts (derivative contracts according to Section C.6 of Annex I of MiFID2):* Derivatives according to point (2) relating to coal or oil that must be settled at the time of delivery and traded on an OTF.

[8.][1)]*Subsidiary:* A subsidiary as defined by the Act on Financial Undertakings.

[9.][1)]*EEA:* European Economic Area.

[10.][1)]*Make-whole clause:* A provision intended to protect an investor by ensuring, upon liquidation or redemption of a bond before its final maturity, that the issuer is obliged to pay to its holder an amount equal to the present value of the remaining interest payments up to the final maturity of the bond plus its principal.

[11.][1)]*Portfolio management:* Managing portfolios in line with an investment strategy determined in advance by a client.

[12.][1)]*Tied agent:* A person acting on behalf and under the responsibility of a single investment firm who promotes investment and/or ancillary services to clients or prospective clients, receives and transmits instructions or orders from the client in respect of investment services or financial instruments, sells financial instruments or provides advice in respect of financial instruments or financial services.

[13.][1)]*ESMA:* The European Securities and Markets Authority.

[14.][1)]*Professional investor:* A client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. The following persons are considered professional investors:

a. Persons, in Iceland or abroad, who are authorised, or undertake, regulated activities in financial markets, including credit institutions, investment firms, financial undertakings, insurance undertakings, collective investment schemes and their management companies, pension funds and management companies of such funds when applicable, commodity and commodity derivatives dealers, locals and other institutional investors.

b. Large undertakings meeting at least two of the following size requirements based on the official exchange rate listed at any given time:

1. The total balance sheet amount is equal to or greater than EUR 20 million in ISK.
2. The net annual turnover is equal to or greater than EUR 40 million in ISK.

3. The own funds are equal to or greater than EUR 2 million in ISK.

c. National and regional governments, central banks and international agencies such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
d. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.
e. Persons regarded as professional investors pursuant to Article 54.

[15.][1)] *Investment advice:* The provision of personal recommendations to a client in relation to financial instruments, either at the initiative of the client or the provider of the service.

[16.][1)] *Investment services and investment activities:*

a. Reception and transmission of client orders in relation to one or more financial instruments.
b. Execution of orders on behalf of clients.
c. Dealing on own account.
d. Portfolio management.
e. Investment advice.
f. Underwriting of financial instruments and/or offering financial instruments.
g. Placing of financial instruments without a firm commitment basis.
h. Operation of an MTF.
i. Operation of an OTF.

[17.][1)] *Financial instrument:*

a. Securities.
b. Money-market instruments.
c. Units in collective investment undertakings.
d. Derivatives.
e. Emission allowances consisting of units as defined in the Climate Act.

[18.][1)] *Execution of orders on behalf of clients:* Acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients.

[19.][1)] *Management body:* One or more natural persons engaged by the board of directors of a company to conduct its business in accordance with the provisions of the Act on Public Limited Companies or this Act, regardless of title.

[20.][1)] *Third-country firm:* A firm that would be regarded as a credit institution authorised to provide investment services or perform investment activities or an investment firm if its head office or registered office were located within the EEA.

[21.][1)] *Host Member State:* A Member State, other than the home Member State, in which an investment firm has a branch or provides investment services or undertakes investment activities, or the Member State in which a regulated market provides remote members or participants, that are established in that same Member State, access to market trading systems.

[22.][1)] *High-frequency algorithmic trading technique:* An algorithmic trading technique characterised by:

a. infrastructure intended to minimise network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location, proximity hosting or high-speed direct electronic access;
b. system-determination of order initiation, generation, routing or execution without human intervention for individual trades or orders; and
c. high message intraday rates which constitute orders, quotes or cancellations.

[23.][1)] *Wholesale energy product:* The following contracts and derivatives, regardless of where and how they are traded:

a. contracts for the supply of electricity or gas supplied within the EEA;
b. derivatives relating to electricity or gas produced, traded or supplied within the EEA;

c. contracts relating to the transport of electricity or gas within the EEA; and
d. derivatives relating to the transport of electricity or gas within the EEA.

Contracts for the supply and distribution of electricity or gas to end users are not considered wholesale energy products. However, contracts for the supply and distribution of electricity or gas to users with a capacity exceeding 600 GWh per year should be regarded as a wholesale energy product.

[24.][1)] *Home Member State:*

a. In the case of investment firms:
    1. If it is a natural person, the Member State in which its head office is situated.
    2. If it is a legal person, the Member State in which its registered office is situated.
    3. If it has no registered office under its national law, the Member State in which its head office is situated.
b. In the case of a regulated market, the Member State in which the regulated market is registered or, if under the law of that Member State it has no registered office, the Member State in which the head office of the regulated market is situated.
c. In the case of an approved publication arrangement (APA), a consolidated tape provider (CTP) or an approved reporting mechanism (ARM):
    1. If it is a natural person, the Member State in which its head office is situated.
    2. If it is a legal person, the Member State in which its registered office is situated.
    3. If it has no registered office under its national law, the Member State in which its head office is situated.

[25.][1)] *Depositary receipts:* Securities which are negotiable on the capital market and which represent ownership of the securities of a non-domiciled issuer while being able to be admitted to trading on a regulated market and traded independently of the securities of the non-domiciled issuer.

[26.][1)] *Commodity derivatives:* Commodity derivatives as defined in Article 2(1)(30) of MiFIR.

[27.][1)] *Systematic internaliser:* An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a trading venue without operating a multilateral system. The regular and systematic basis shall be measured by the number of OTC trades in the financial instrument on own account that are executed on client orders. The substantial basis shall be measured either by the size of the OTC trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument or by the size of the OTC trading carried out by the investment firm in relation to the total trading within the EEA in a specific financial instrument. A person is only considered a systematic internaliser where the pre-set limits for a frequent and systematic basis and for a substantial basis are both crossed or where an investment firm chooses to become a systematic internaliser.

[28.][1)] *Matched principal trading:* A transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout its execution, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

[29.][1)] *Exchange-traded fund:* A fund of which at least one unit or share class is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its units or shares on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value.

[30.][1)] *Cross-selling practice:* The offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package.

[31.][1)]*Agricultural commodity derivatives:* Derivative contracts relating to products listed in Article 1 and Parts I to XX and Part XXIV/1 of Annex I to Regulation (EU) No 1308/2013 of the European Parliament and of the Council, in accordance with Regulation No 327/2016 on the Entry into Force of EU Regulations on the Elimination of Technical Barriers to Trade in Wine (VI) [and relating to products included in the rules laid down by the Central Bank of Iceland].[1)]

[32.][1)]*Credit institution:* A credit institution as defined by the Act on Financial Undertakings.

[33.][1)]*Small and medium-sized enterprises:* Companies with an average market value below or equal to EUR 200 million in ISK on the basis of quoted offers at the end of the year for the last three calendar years based on the official exchange rate at the end of the year.

[34.][1)]*Competent authority:* The authority in a Member State exercising supervision of MiFID2 and MiFIR. The Central Bank of Iceland is the competent authority in Iceland.

[35.][1)]*Multilateral system:* Any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system.

[36.][1)]*MAR:* Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse, cf. the Act on Measures against Market Fraud.

[37.][1)]*Market abuse:* Market abuse as defined by MAR.

[38.][1)]*Multilateral trading facility (MTF):* A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in accordance with its non-discretionary rules – in a way that results in a contract.

[39.][1)]*Central counterparty:* A central counterparty (CCP) as defined in Article 2(1) of Regulation (EU) No 648/2012, cf. the Act on Derivatives, Central Counterparties, and Derivative Trade Repositories.

[40.][1)]*MiFID2:* Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

[41.][1)]*MiFIR:* Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012, as amended, cf. Article 3.

[42.][1)]*Parent undertaking:* A parent undertaking as defined by the Act on Financial Undertakings.

[43.][1)]*Close links:* When natural and/or legal persons are linked by:

a. participation in the form of ownership, direct or by way of control, of 20 % or more of the share capital, initial capital or voting rights of an undertaking;
b. Control, i.e. the relationship between a parent undertaking and a subsidiary, as defined by the Act on Annual Accounts, or a similar relationship between any natural or legal person and an undertaking; or
c. a permanent link of both or all of them to the same person by a control relationship.

[44.][1)]*OTC contract:* Contracts for financial instruments that are not traded via trading venues.

[45.][1)]*Money-market instruments:* Those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

[46.][1)]*Electronic form:* Any type of durable medium with the exception of paper.

[47.][1)]*Market operator:* A person or persons who manages and/or operates the business of a regulated market and may be the regulated market itself.

[48.][1)]*UCITS management company:* A management company as defined by the Act on UCITS.

[49.][1)]*Sovereign debt:* A debt instrument issued by a sovereign issuer.

[50.][1)]*Sovereign issuer:* Any of the following that issues debt instruments:

a. The European Union.
b. A Member State, including a government department, an agency, or a special purpose vehicle of the Member State.

c. In the case of a federal Member State, a member of the federation.
d. A special purpose vehicle for several Member States.
e. An international financial institution established by two or more Member States which has the purpose of mobilising funding and providing financial assistance to members that are experiencing or threatened by severe financing problems.
f. The European Investment Bank.

[51.][1)] *Structured finance products:* Structured finance products as defined in Article 2(1)(28) of MiFIR.

[52.][1)] *Structured deposit:* A deposit within the meaning of the Act on Deposit Guarantees and Investor-Compensation Scheme, which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula involving factors such as:

a. an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index such as Euribor or Libor;
b. a financial instrument or combination of financial instruments;
c. a commodity or combination of commodities or other physical or non-physical non-fungible assets; or
d. a foreign exchange rate or combination of foreign exchange rates.

[53.][1)] *Group:* A group as defined by the Act on Financial Undertakings.

[54.][1)] *Limit order:* An order to buy or sell a financial instrument at its specified price limit or better and for a specified size.

[55.][1)] *Exchange of financial instruments:* Sale of a financial instrument and purchase of another financial instrument or exercising an option to change a financial instrument.

[56.][1)] *Organised trading facility (OTF):* A multilateral system which is not a regulated market or an MTF and in which third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

[57.][1)] *Regulated market:* A multilateral system within the EEA which brings together buyers and sellers of financial instruments – in accordance with its non-discretionary rules – in a way that results in a contract for financial instruments admitted to trading in the system.

[58.][1)] *Certificates:* Certificates as defined in Article 2(1)(27) of MiFIR.

[59.][1)] *Board of directors:* A board of directors within the meaning of the Act on Public Limited Companies.

[60.][1)] *Branch:* A place of business which is by law dependent on an investment firm, of which it is a part, and directly deals with all or part of the activities undertaken by an investment firm.

[61.][1)] *Durable medium:* An instrument which enables a client, or prospective client, to store unchanged information addressed personally to that client allowing the client to reproduce the information and access them for an appropriate period of time.

[62.][1)] *SME growth markets:* An MTF that is registered as an SME growth market in accordance with Article 58.

[63.][1)] *Data reporting services providers:* An APA, a CTP or an ARM.

[64.][1)] *Securities:* Transferable securities, i.e. those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

a. shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
b. bonds or other forms of securitised debt, including depositary receipts in respect of such securities; and
c. any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

[65.][1)]*Investment firm:* Any legal person whose regular occupation or business is providing investment services to a third party or the performance of investment activities.

[66.][1)]*Central securities depository (CSD):* A central securities as defined by Article 2(1) of Regulation (EU) No 909/2014, cf. Act No 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments.

[67.][1)]*Ancillary services:*

a. Safekeeping and administration of one or more financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level in accordance with point (2) of Section A of the Annex to Regulation (EU) No 909/2014, cf. Act No 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments.
b. Granting credit facilities, guarantees or loans to an investor to allow the investor to carry out a transaction in one or more financial instruments, where the investment firm granting the credit facility or loan conducts the transaction
c. Advice to undertakings on capital structure, strategy and related matters and advice and services relating to mergers and the purchase of undertakings.
d. Services related to underwriting.
e. Foreign exchange services where the transaction in question is a part of investment services.
f. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.
g. Services related to the underlying of the derivatives included under points (2)(b), (c), (d) and (g) where these are connected to the provision of investment or ancillary services.

[68.][1)]*Market maker:* Persons holding themselves out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against their' proprietary capital at prices defined by themselves.

[69.][1)]*Trading venue:* A regulated market, an MTF or an OTF.

[70.][1)]*Client:* Any person to whom an investment firm provides investment or ancillary services.

[71.][1)]*Dealing on own account:* One or more transactions in financial instruments where an investment firm trades against proprietary capital.

[72.][1)]*Approved publication arrangement (APA):* A person authorised under this Act to provide the service of publishing trade reports on behalf of investment firms pursuant to Articles 20 and 21 of MiFIR.

[73.][1)]*Eligible counterparty:* Persons according to [points (14)][1)](a) to (c).

[74.][1)]*Approved reporting mechanism (ARM):* A person authorised under this Act to provide the service of reporting details of transactions to competent authorities or to ESMA on behalf of investment firms.

[75.][1)]*Qualifying holding:* A direct or indirect holding in an investment firm which represents 10 % or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of the investment firm in question.

[76.][1)]*Liquid market:* A market for a financial instrument or a class of financial instruments, where there are ready and willing buyers and sellers on a continuous basis, assessed in accordance with the following criteria, taking into consideration the specific market structures of the particular financial instrument or of the particular class of financial instruments:

a. the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the class of financial instrument;
b. the number and type of market participants, including the ratio of market participants to traded instruments in a particular product; and

c. the average size of spreads, where available.

[77.][1)]*Consolidated tape provider (CTP):* A person authorised under this Act to collect trade reports for financial instruments listed in Articles 6, 7, 10, 12, 13, 20 and 21 of MiFIR from regulated markets, MTFs, OTFs and APAs and consolidating them into a continuous electronic live data stream providing price and volume data per financial instrument.

For further clarification of these concepts, see Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3.

1) *Act 50/2022, Art. 2.*

SECTION 2

Authorisation and operating conditions for investment firms.

CHAPTER I

Authorisation

Art. 5

Authorisation

Investment services and investment activities require authorisation.

An investment firm may provide investment services and perform investment activities upon authorisation of the Financial Supervisory Authority. The firm shall be a public limited company and shall have its head office in Iceland.

Without the approval of the Minister, only nationals of a Member State and legal persons established in a Member State may establish investment firms in Iceland.

Only investment firms may, either alone or in the form of a compound word, use the term "verðbréfafyrirtæki" (investment firm) in their firm's name or for clarification of their activities. When there is a risk of confusion regarding the names of investment firms operating in Iceland, the Financial Supervisory Authority may require companies to be identified specifically.

Art. 6

Scope of authorisation and register of investment firms.

The authorisation shall state the investment services a securities firm is permitted to provide and the investment activities it is permitted to perform. The authorisation may cover one or more types of ancillary services. Authorisation that exclusively covers ancillary services may not be granted.

An investment firm that intends to expand its business by offering investment or ancillary services or performing investment activities not covered by its authorisation shall apply to the Financial Supervisory Authority for an extension of its authorisation.

The Financial Supervisory Authority maintains an up-to-date register of all investment firms, which shall be accessible to the public. The register shall contain information on the investment services investment firms are permitted to provide and the investment activities they are permitted to perform. The Financial Supervisory Authority shall notify ESMA of changes to the register. Where the Financial Supervisory Authority has withdrawn an authorisation in accordance with the reasons set out in points (1), (2) or (4) of Article 8, that withdrawal shall be published on the list for the next 5 years.

Art. 7

Application for authorisation

The Financial Supervisory Authority will not grant authorisation until the applicant has complied with the requirements of this Act. An application for authorisation must be made in writing and must contain all necessary information, including a programme of operations specifying, among other things, the types of services envisaged and the organisational structure, to enable the Financial Supervisory Authority to satisfy itself that the investment firm meets its obligations under this Chapter. The Financial Supervisory Authority shall notify the applicant when an application is considered satisfactory.

The Financial Supervisory Authority shall inform the applicant of its decision regarding an application for authorisation within 6 months of receipt of a satisfactory application.

Article 140 applies to the consultation of the Financial Supervisory Authority with competent authorities of other Member States on granting authorisation.

[The Central Bank of Iceland shall adopt rules[1)] on the content and format of applications.][2)]

1) *Regulation 853/2022.* 2) *Act 50/2022, Art. 3.*

Art. 8

Withdrawal of authorisation

The Financial Supervisory Authority may, in full or in part, withdraw the authorisation issued to an investment firm:

1. Where the firm itself makes the request.
2. Where the firm has obtained the authorisation through false statements or any other irregular means.
3. Where the firm no longer meets the conditions under which authorisation was granted, for instance regarding initial capital pursuant to Article 20.
4. Where the firm does not make use of the authorisation within 12 months of receiving it, expressly renounces the authorisation or ceases to provide investment services or perform investment activities for more than 6 consecutive months.
5. Where the firm, in other ways, seriously or repeatedly infringes this Act or the regulations under Article 3, or rules or regulations adopted pursuant to this Act.
6. Where the firm infringes other acts that provide for withdrawal of authorisation.

The Financial Supervisory Authority shall notify ESMA of the withdrawal of authorisation.

In cases of infringements of points (5) or (6) of the first paragraph, the withdrawal of the authorisation may be temporary.

Art. 9

Notification of withdrawal, in full or in part, of an authorisation issued to an investment firm.

The withdrawal, in full or in part, of an authorisation issued to an investment firm shall be notified to its board of directors and justified in writing. The Financial Supervisory Authority shall publish the notice on its website and in the Icelandic Legal Gazette. Where the firm operates a branch or provides services in another State, the notification shall be communicated to the competent authorities of that State.

Art. 10

Board of directors and managing director

Articles 52 and 52a of Act No 161/2002 on Financial Undertakings apply to the suitability of board members and managing directors of investment firms, and Article 52 e of the same Act applies in the case of a systemically important investment firm.

The Financial Supervisory Authority may authorize a board member of a systemically important investment firm to be on the board of directors of one other supervised entity irrespective of the provisions of Article 52 e of the Act on Financial Undertakings. The Financial Supervisory Authority shall regularly inform ESMA of such authorisations.

Article 54 of the Act on Financial Undertakings applies to the performance of the duties of the board of directors, its responsibilities and the division of responsibilities between the board of directors and managing director.

The board of directors of an investment firm shall define, oversee and be responsible for the implementation of governance arrangements and internal controls that ensure effective and prudent management of the investment firm, including the segregation of duties in the investment firm and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interests of clients. These arrangements shall also ensure that the board of directors defines, approves and oversees:

1. the organisation of the firm for the provision of investment services, investment activities and ancillary services, including the skills, knowledge and expertise required by personnel, the resources, the procedures and the arrangements for the provision of services, taking into account the nature, scale and complexity of its business and all the requirements the firm has to comply with;
2. a policy as to services, activities, products and operations offered or provided, in accordance with the risk tolerance of the firm and the characteristics and needs of the clients of the firm to whom they will be offered or provided, including carrying out appropriate stress testing, where appropriate; and
3. a remuneration policy of persons involved in the provision of services to clients aiming to encourage responsible business conduct, fair treatment of clients as well as avoiding conflict of interest in relation to clients.

The board of directors shall monitor and periodically assess the adequacy and the implementation of the firm's strategic objectives in the provision of investment and ancillary services and investment activities. The board of directors shall also monitor and periodically assess the effectiveness of the investment firm's governance arrangements and internal controls and the adequacy of the policies and rules relating to the provision of services to clients. The board of directors shall take appropriate steps to address any deficiencies revealed.

Board members shall have adequate access to information and documents which are needed to oversee and monitor the decision-making of the managing director and other senior managers who report directly to the managing director.

The Financial Supervisory Authority shall refuse authorisation if board members and the managing director do not fulfil the suitability criteria of the first paragraph, or if there are demonstrable grounds for believing that the board of directors or managing director of the firm may pose a threat to its effective, sound and prudent management and to the adequate consideration of the interest of its clients and the integrity of the market.

Investment firms shall notify the Financial Supervisory Authority of the members of its board of directors and the managing director and subsequent changes thereto. The notification shall be accompanied by sufficient information to assess whether the conditions of this Article are met.

Article 25 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, make provisions for the responsibilities of senior management.

The Central Bank of Iceland adopts detailed rules on the suitability of board members and managing directors, including what constitutes sufficient knowledge and experience, good reputation and financial autonomy, and on how to assess suitability.

Art. 11

Persons with qualifying holdings

The Financial Supervisory Authority shall not grant authorisation to an investment firm:

1. unless the firm discloses the names of all persons that have qualifying holdings and the amounts of those holdings,
2. if, taking into account the need to ensure the sound and prudent management of the firm, it is not satisfied as to the suitability of the persons that have qualifying holdings;
3. where close links exist between the investment firm and other persons prevent the effective exercise of its supervisory functions; or
4. if the rules of a country outside the EEA governing one or more persons with which the firm has close links, prevent the effective exercise of its supervisory functions; the same applies if there are difficulties involved in the enforcement of the rules.

Article 18 applies where the Financial Supervisory Authority determines that the persons having qualifying holdings are prejudicial to the sound and prudent management of an investment firm.

Art. 12

Notification of a qualifying holding

Any person or persons acting in concert who have taken a decision either to acquire a qualifying holding in an investment firm as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20 %, [30 %][1] or 50 % or so that the investment firm would become its subsidiary shall first notify the Financial Supervisory Authority in writing, indicating the size of the intended holding and relevant information as referred to in the third paragraph of Article 14.
Persons who have taken a decision to reduce their holding in an investment firm so that they will no longer have a qualifying holding shall first notify the Financial Supervisory Authority in writing, indicating the size of the intended holding retained in the firm. Those persons shall likewise notify the competent authorities if they have taken a decision to reduce their qualifying holding so that the proportion of the voting rights or of the capital held would fall below 20 %, [30 %][1] or 50 % or so that the investment firm would cease to be their subsidiary.
In determining whether the criteria for a qualifying holding referred to in this Article and in Article 11 are fulfilled, voting rights or shares which investment firms or credit institutions may hold as a result of the investment services they have provided pursuant to [point (16)][1] (f) of the first paragraph of Article 4 shall not be taken into account, provided that those rights are not exercised or otherwise used to intervene in the management of the issuer and that they are disposed of within one year of acquisition.

An investment firm that becomes aware of the acquisition and disposition of holdings in its capital that cause holdings to exceed or fall below the thresholds referred to in the second paragraph, shall immediately notify the Financial Supervisory Authority.

At least once a year, investment firms shall also inform the Financial Supervisory Authority of the names of shareholders possessing qualifying holdings and the sizes of their holdings.

Article 49 of Act No 161/2002 on Financial Undertakings applies to the authorisation of the Financial Supervisory Authority to request information and documentation to assess whether persons have an obligation to give notice.

The Central Bank of Iceland shall adopt rules[2] on the format and content of notifications under this Article.

1) *Act 50/2022, Art. 4.* 2) *Regulation 853/2022. Regulation 855/2022.*

Art. 13

Assessment period

The Financial Supervisory Authority shall, no later than within two working days following receipt of the notification required under Article 12 and the detailed information specified in the second paragraph, acknowledge receipt thereof. The confirmation shall indicate the date by which the findings of the Financial Supervisory Authority can be expected.

Where the Financial Supervisory Authority considers it is necessary to obtain more detailed information than specified in the first paragraph of Article 12 from the person intending to acquire or increase a qualifying holding, it may request that information from that person. The request for more detailed information must be made in writing, specifying the information requested. Such a requirement shall be imposed no later than 50 working days after the date of confirmation of the notification.

The Financial Supervisory Authority shall have 60 working days from the date of confirmation of the notification specified in the first paragraph to assess whether it considers the person who intends to acquire or increase a qualifying holding suitable to possess the holding. If the person is requested to provide additional information pursuant to the second paragraph, the wait for information is added to the number of days specified in the first sentence, but not more than 20 working days. The Financial Supervisory Authority may again request additional information. Such a request will not extend the above time limits.

Where the person intending to acquire or increase a qualifying holding is located in a non-EEA State, or if the person is not subject to official financial supervision within the EEA as an investment

firm, credit institution or UCITS, the wait for information is added to the number of days specified in the first sentence of the third paragraph, but not more than 30 working days.

Art. 14

Suitability assessment

The Financial Supervisory Authority shall appraise the suitability of the person intending to acquire or increase a qualifying holding pursuant to the notification provided for in Article 12 to possess the holding taking into account the sound and prudent management of the investment firm and having regard to the likely influence of the person on the investment firm. The assessment of the Financial Supervisory Authority shall be based on all of the following criteria:

1. The reputation of the person.
2. The reputation and experience of the person who will direct the business of the investment firm as a result of the person acquiring or increasing their holding.
3. The financial soundness of the person, in particular in relation to the type of business pursued and envisaged in the investment firm.
4. Whether the investment firm will be able to comply and continue to comply with the prudential requirements based on this Act and other Acts, in particular the Act on Supplementary Supervision of Financial Conglomerates and the Act on Financial Undertakings, in particular, whether the group of which it will become a part has a structure that makes it possible to exercise effective supervision of it, including whether competent authorities can effectively exchange information on the group and determine the allocation of supervisory responsibilities amongst themselves.
5. Whether there are reasonable grounds to suspect that the proposed acquisition is connected to committed or attempted money laundering or terrorist financing or could increase the risk thereof within the investment firm in question.

The Financial Supervisory Authority may oppose the proposed acquisition only if there are reasonable grounds for doing so on the basis of the criteria set out in the first paragraph or if the information provided by the person proves incomplete. The Financial Supervisory Authority shall neither impose any prior conditions in respect of the level of holding nor examine the proposed acquisition in terms of economic or competitive assumptions.

The Financial Supervisory Authority shall make publicly available a list specifying the information that is necessary to carry out the assessment and the person shall submit such information with the notification referred to in the first paragraph of Article 12. The information required shall be proportionate and adapted to the nature of the person. Other information than is relevant for a prudential assessment may not be required.

Notwithstanding Article 13, where two or more proposals to acquire or increase qualifying holdings in the same investment firm have been notified to the Financial Supervisory Authority, the notifications shall be handled in a non-discriminatory manner.

The Financial Supervisory Authority shall work in full consultation with other competent authorities when carrying out the assessment provided for in the first paragraph if the proposed acquirer is a credit institution, assurance undertaking, insurance undertaking, reinsurance undertaking, investment firm or UCITS management company authorised in another Member State or in a sector other than that in which the acquisition is proposed or the parent undertaking of such person or a natural or legal person controlling such person.

The Financial Supervisory Authority shall, without undue delay, provide the competent authorities of other Member States with any information which is essential or relevant for the assessment referred to in the first paragraph. The Financial Supervisory Authority shall, upon request, communicate to the competent authorities of other Member States all relevant information, and shall communicate on its own initiative all essential information.

A decision by the competent authority pursuant to this Article shall indicate any views or reservations expressed by the competent authority responsible for the proposed acquirer.

Art. 15

Result of assessment

If the Financial Supervisory Authority considers the person intending to acquire or increase a qualifying holding not suitable to possess the holding, it shall notify the person thereof not later than 2 working days from the date of the finding. The decision of the Financial Supervisory Authority shall be in writing and reasoned. The Financial Supervisory Authority is also entitled to publish a notice on its website at the request of a person or on its own initiative.

In the absence of a finding by the Financial Supervisory Authority within the time limit specified in Article 13, it shall be understood as the Financial Supervisory Authority not objecting to the plans of the person intending to acquire or increase a qualifying holding in the investment firm in question.

Art. 16

Time limit following authorization by the Financial Supervisory Authority and renewal of notification

The Central Bank of Iceland may determine in its rules the maximum time-limit a person has to acquire or increase a qualifying holding following the authorisation granted by the Financial Supervisory Authority or the expiry of the time-limit specified in the second paragraph of Article 15. After that time, the person concerned shall resubmit a notification pursuant to Article 12. In the rules, the Central Bank of Iceland may specify the cases in which longer time-limits may be granted than in general.

Art. 17

Failure to notify

Where a person intending to acquire or increase a qualifying holding in an investment firm does not notify the Financial Supervisory Authority of the proposed acquisition or increase in the qualifying holding, even though this is mandatory pursuant to Article 12, the voting rights, attached to the shares in excess of what the person previously held, are suspended. If the Financial Supervisory Authority becomes aware of the acquisition or increase, it shall notify the relevant investment firm of the suspension of the voting rights. The Financial Supervisory Authority shall require the person concerned to submit a notification in accordance with Article 12. If the Financial Supervisory Authority does not object to the person concerned acquiring or increasing the qualifying holding, the person will attain voting rights in accordance with the shareholding.

Where the Financial Supervisory Authority has not received the notification from the person concerned within 4 weeks of requesting it, the Authority may require the person to sell the part of the shareholding that is in excess of the previously held shareholding. The Financial Supervisory Authority sets a time-limit for this purpose and the time-limit shall not be less than 2 months.

Art. 18

An unsuitable person acquires a holding

Where a person acquires or increases the qualifying holding in an investment firm, despite the Financial Supervisory Authority determining that the person is not suitable to acquire or increase their holding, the voting rights of the person, in excess of the minimum considered a qualifying holding, shall be suspended. The person concerned is obliged to sell the part of the shareholding that is in excess of what the person possessed before and what the decision of the Financial Supervisory Authority addressed. The Financial Supervisory Authority sets a time-limit for this purpose and the time-limit shall not be less than 2 months. The person attains the previous voting rights after completion of the sale.

Art. 19

Membership of an authorised investor compensation scheme

Before granting authorisation, the Financial Supervisory Authority shall verify that the investment firm meets its obligations under the Act on Deposit Guarantees and Investor-Compensation Scheme.

Art. 20

Initial capital endowment

The Financial Supervisory Authority shall not grant authorisation unless the investment firm has sufficient initial capital in accordance with Articles 14 and 14a of Act No 161/2002 on Financial Undertakings, having regard to the nature of the investment service or activity in question.

Art. 21

General organisational requirements

An investment firm shall establish policies and procedures that ensure compliance of the firm, including its managers, employees and tied agents, with any acts and rules governing its business. The investment firm shall also establish rules governing the personal transactions by such persons in financial instruments.

An investment firm shall establish effective organisational and administrative arrangements to enable it to use all available measures to prevent conflicts of interest as defined in Article 32 from adversely affecting the interests of its clients.

The organisation of an investment firm shall be such as to ensure the continuity and regularity of operations and services to clients. To that end the investment firm shall, among other things, employ appropriate systems and procedures and have the necessary knowledge resources.

An investment firm shall ensure that the outsourcing of functions of critical importance to its operations does not increase the operational risk of the firm. Outsourcing of such functions may not be undertaken if it has a detrimental effect on its internal control or the monitoring of the Financial Supervisory Authority. Investment firms are fully responsible for any outsourced functions.

An investment firm shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems.

An investment firm shall have security mechanisms in place to:

1. guarantee the security and reliability of the means of transfer of information;
2. minimise the risk of data corruption and unauthorised access;
3. prevent information leakage; and
4. maintaining the confidentiality of data.

Articles 21 to 27, 29 to 34 and 38 to 43 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the organisational requirements of investment firms.

Art. 22

Product approval and distribution of financial instruments and structured deposits

An investment firm which manufactures financial instruments intended for sale to clients shall establish and regularly review the product approval process for each financial instrument before it is marketed or distributed to clients. The process shall also cover significant adaptations of existing financial instruments.

The product approval process shall specify an identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks are assessed and that the intended distribution strategy is consistent with the target market.

An investment firm shall regularly review whether the financial instruments it offers or markets are suitable for the target market, taking into account, among other things, the risk and distribution strategy.

An investment firm which manufactures financial instruments shall make available to distributors all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

Where an investment firm offers or recommends financial instruments which it does not manufacture, it shall have in place adequate arrangements to obtain the information referred to in the fourth paragraph and to understand the characteristics and identified target market of each financial instrument.

This Article and the second and third paragraphs of Article 33 shall not apply to investment firms where investment services are provided in relation to a bond that does not embed any derivative other than a make-whole clause or when financial instruments are placed or distributed exclusively to eligible counterparties.

The Minister shall adopt a regulation with detailed rules for product approval and distribution of financial instruments and structured deposits.

Art. 23

Recording and retention of data

An investment firm shall keep a register of all investment services it provides and all investment activities it performs. The records shall be sufficient to enable the Financial Supervisory Authority to exercise its supervisory functions and to ascertain that investment firms have complied with law in their activities and have met all their obligations, including those with respect to clients or potential clients and to the integrity of the market.

Investment firms shall retain recordings of telephone conversations and other electronic communications, at least when such conversations or communications result or may result in transactions when dealing on own account or the reception, transmission and execution of client orders. An investment firm shall take all reasonable steps to ensure that employees and contractors only engage in such communications with equipment:

1. provided, or authorised by, the investment firm; and
2. that allows the investment firm to keep records and copy.

An investment firm shall notify clients that telephone communications or conversations between the investment firm and its clients that result or may result in transactions will be recorded. It is sufficient for this to be done once, before providing investment services to a new or existing client.

An investment firm shall not receive, transmit or execute client orders by telephone if the client has not been notified in advance about the recording of their telephone conversation or other communications. When clients place orders through other channels, investment firms shall ensure that the communications are made in a durable medium such as mails, faxes, emails or written minutes. Face-to-face conversations shall be recorded by using written minutes or notes. Such client orders shall be considered equivalent to orders received by telephone.

The records kept in accordance with this paragraph shall be retained for a period of 5 years and shall be provided to the client involved upon request. However, the Financial Supervisory Authority may require investment firms to retain records for a period of up to 7 years if it deems it necessary.

Articles 35, 72 and 74 to 76 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the rules on the recording and retention of data.

Art. 24

Safeguarding of client assets

An investment firm shall safeguard the financial instruments of clients separate from the assets of the firm. An investment firm can only make use of a client’s financial instruments on own account with the express consent of the client.

An investment firm shall also safeguard client funds separate from the assets of the firm. Client funds shall be retained in a separate registered account. Invest firms not considered credit institutions shall not use customer funds for their own account.

An investment firm shall not conclude title transfer financial collateral arrangements with retail investors for the purpose of securing or covering the debts and obligations of clients.

The Minister shall adopt a regulation with detailed rules for covering client assets.

Art. 25

General requirements for algorithm trading

An investment firm that engages in algorithmic trading shall have in place effective systems and controls for risk monitoring. It shall be ensured that trading systems are resilient and have sufficient capacity for trading, are subject to appropriate trading thresholds and limits and prevent the sending of erroneous orders or the systems otherwise functioning in a way that may contribute to a disorderly market. The investment firm shall also have in place effective systems and risk controls to ensure the trading systems cannot be used for any purpose that is contrary to the provisions of MAR or to the rules of a trading venue to which they are connected. The investment firm shall have in place effective business continuity arrangements to deal with any failure of its trading systems and shall ensure its systems are fully tested and properly monitored to ensure that they meet the requirements of this paragraph.

An investment firm that engages in algorithmic trading shall notify this to the Financial Supervisory Authority and the competent authority of the trading venue at which the investment firm engages in the trading.

The Financial Supervisory Authority may require the investment firm to provide, on a regular or ad-hoc basis, a description of the nature of its algorithmic trading strategies, details of the trading parameters or limits to which the system is subject, procedures for compliance and risk controls that it has in place to ensure the conditions laid down in the first paragraph are satisfied and details of the testing of its systems. The Financial Supervisory Authority may, at any time, request further information from an investment firm about its algorithmic trading and the systems used for that trading.

The Financial Supervisory Authority shall, without undue delay, meet any request for submitting information pursuant to the third paragraph by the competent authority of the trading venue where the algorithmic trading is carried out.

The investment firm shall arrange for records to be kept in relation to the matters referred to in the second to third paragraphs and shall ensure that those records be sufficient to enable the Financial Supervisory Authority to monitor compliance with the requirements of the relevant provisions of this Act.

An investment firm that engages in a high-frequency algorithmic trading technique shall store in an approved form accurate and time sequenced records of all its placed orders, including cancellations of orders, executed orders and quotations on trading venues and shall make them available to the Financial Supervisory Authority upon request.

An investment firm that acts as a general clearing member for other persons shall have in place effective systems and controls to ensure clearing services are only applied to persons who are suitable and meet clear criteria and that appropriate requirements are imposed on those persons to reduce risks to the investment firm and to the market. The investment firm shall ensure that there is a binding written agreement between it and the person regarding the essential rights and obligations arising from the provision of that service.

The Central Bank of Iceland shall adopt detailed rules[1)] for the implementation of the Article, including the organisational requirements for investment firms engaged in algorithmic trading.

1) *Regulation 853/2022.*

Art. 26

Market making using an algorithm

An investment firm that engages in algorithmic trading to pursue a market making strategy shall, taking into account the liquidity, scale and nature of the market and the characteristics of the financial instrument traded:

1. carry out this market making continuously during a specified proportion of the trading venue's trading hours, except under exceptional circumstances, with the result of providing liquidity on a regular and predictable basis to the trading venue;
2. enter into a binding agreement with the trading venue which shall at least specify the obligations of the investment firm in accordance with point (1); and
3. have in place effective systems and controls to ensure that it fulfils its obligations under the agreement at all times.

An investment firm that engages in algorithmic trading shall be considered to be pursuing a market making strategy when, as a member or participant of one or more trading venues, its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or across different trading venues, with the result of providing liquidity on a regular and frequent basis to the overall market.

The Central Bank of Iceland shall adopt detailed rules[1)] for the implementation of the Article, including the organisational requirements for investment firms engaged in algorithmic trading to pursue a market making strategy.

1) *Regulation 854/2022.*

Art. 27

Direct electronic access

An investment firm shall not provide direct electronic access to a trading venue unless it has in place effective systems and controls which ensure:

1. a proper assessment of the suitability of clients using the service;
2. that clients using the service are prevented from exceeding appropriate pre-set trading and credit thresholds;
3. that trading by clients using the service is properly monitored; and
4. that appropriate risk controls prevent trading that may create risks to the investment firm itself or that could contribute to a disorderly market or could be contrary to the provisions of MAR or the rules of the trading venue.

An investment firm that provides direct electronic access to a trading venue shall be responsible for ensuring that clients using that service comply with the requirements of this Act and the rules of the trading venue. The investment firm shall monitor the transactions in order to identify infringements of those rules, disorderly trading conditions or conduct that may involve market abuse and that is to be reported to the Financial Supervisory Authority. The investment firm shall ensure that there is a binding written agreement between it and the client regarding the essential rights and obligations relating to the service and that it is expressly noted that the investment firm retains responsibility under this Act.

An investment firm that provides direct electronic access to a trading venue shall notify the Financial Supervisory Authority and the competent authority of the trading venue accordingly.

The Financial Supervisory Authority may require the investment firm to provide, on a regular or ad-hoc basis, a description of the systems and controls referred to in the first paragraph and evidence that those have been applied. The Financial Supervisory Authority shall, upon request and without undue delay, communicate such information and documentation to the competent authority of a trading venue to which the investment firm provides direct electronic access.

The investment firm shall arrange for records to be kept in relation to the matters referred to in the first to third paragraphs to enable the Financial Supervisory Authority to monitor compliance with the relevant provisions of the Act.

The Central Bank of Iceland shall adopt rules[1)] on the organisational requirements for investment firms that provide direct electronic access.

1) *Regulation 853/2022.*

Art. 28

Trading on an MTF and an OTF

Investment firms and market operators operating an MTF or an OTF shall:

1. Establish transparent rules and procedures for fair and orderly trading and establish objective criteria for the efficient execution of orders, in addition to meeting the organisational requirements set out in Articles 21 to 24. They shall have arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with risks of systems disruption.
2. Establish transparent rules regarding the criteria for the financial instruments that can be traded under their systems.
3. Provide sufficient information, or ensure they are publicly available, to enable users to form an investment judgement, taking into account both the nature of the users and the types of instruments traded.
4. Establish, publish, regularly review and implement transparent and non-discriminatory rules, based on objective criteria, governing access to its facility.
5. Have arrangements to identify clearly and manage the potential adverse consequences for the operation of the facility, or for its participants and users, of any conflict of interest between the interest of the facility, its owners or its market operator or investment firm on the one hand and the sound functioning of the facility on the other hand.
6. Comply with Articles 80 to 87 and have in place all the necessary effective systems, procedures and arrangements to do so.
7. Clearly inform the members or participants of the facility of their respective responsibilities for the settlement of the transactions executed there.
8. Have put in place the necessary arrangements to facilitate the efficient settlement of the transactions concluded under their systems.
9. Comply without delay with an order from the Financial Supervisory Authority pursuant to points (10) and (11) of the fourth paragraph of Article 119 demanding suspension or removal of a financial instrument from trading.
10. Provide the Financial Supervisory Authority with a detailed description of the functioning of the trading venue, including information on any links to or participation by a trading venue or a systematic internaliser owned by the same investment firm or market operator, and a list of their members, participants and users.

The Financial Supervisory Authority shall notify ESMA of the authorisation to operate an MTF or OTF and grant ESMA access to information pursuant to point (10) of the first paragraph upon request.

MTFs and OTFs shall have at least three materially active members or users, each having the opportunity to interact with all the others in respect to price formation.

Where a security that has been admitted to trading on a regulated market is also traded on an MTF or an OTF without the consent of the issuer, the issuer shall not be subject to any obligation relating to financial disclosure with regard to that facility.

The Central Bank of Iceland shall adopt rules[1)] on the content and format of the description of the activities of the facility in accordance with point (10) of the first paragraph.

1) *Regulation 852/2022.*

Art. 29

Specific requirements for MTFs

Investment firms and market operators operating an MTF shall establish and implement non-discretionary rules for the execution of orders in the system, in addition to meeting the requirements set out in Articles 21 to 24 and 28. They shall not execute client orders against proprietary capital or engage in matched principal trading. In addition, they shall have measures:

1. to be adequately equipped to manage the risks to which the facility is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation, and to put in place effective measures to mitigate those risks;
2. to have effective arrangements to facilitate the efficient and timely finalisation of the transactions executed under its systems; and
3. to always have available sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the market and the range and degree of the risks to which it is exposed.

The rules laid down in point (4) of the first paragraph of Article 28 on access to MTFs shall include the conditions set out in the third paragraph of Article 94.

Articles 33 to 41, Articles 44 to 46, the first to the fourth and the sixth to tenth paragraphs of Article 48 and Article 49 are not applicable to transactions concluded under the rules governing an MTF between its members or participants or between the facility and its members or participants. However, the members of or participants in the MTF shall comply with these provisions when executing orders on behalf of their clients through the systems of an MTF.

Art. 30

Specific requirements for OTFs

Investment firms and market operators operating an OTF shall establish arrangements preventing the execution of client orders in an OTF against the proprietary capital of the investment firm or market operator or from any person that is part of the same group or legal person.

The persons specified in the first paragraph are permitted to engage in matched principal trading in bonds, structured finance products, emission allowances and certain derivatives only where the client has given consent. They shall not use matched principal trading to execute client orders in an OTF in derivatives that are subject to the clearing obligation in accordance with Article 5 of Regulation (EU) No 648/2012, cf. the Act on Derivatives, Central Counterparties, and Derivative Trade Repositories. In addition, they shall establish arrangements ensuring compliance of matched principal trading with the provisions of this Act.

The persons specified in the first paragraph are permitted to engage in dealing on own account other than matched principal trading only with regard to sovereign debt instruments for which there is not a liquid market.

The operation of a systematic internaliser and of an OTF shall not take place within the same legal entity. An OTF shall not connect with a systematic internaliser in a way which enables orders in an OTF and orders or quotes in a systematic internaliser to interact. An OTF shall not connect with another OTF in a way which enables orders in different OTFs to interact.

The persons specified in the first paragraph are permitted to engage another investment firm to carry out market making on that OTF on an independent basis. An investment firm shall not be deemed to be carrying out market making on an OTF on an independent basis if it has close links with the investment firm or market operator operating the OTF.

The execution of orders on an OTF is carried out subject to the decision of the persons specified in the first paragraph. Such a decision shall, however, only take account of:

1. whether to place or retract an order on the OTF; and/or
2. not matching a specific client order with other orders available in the systems at a given time, provided it is in compliance with specific instructions received from a client and with its obligations in accordance with Article 48.

For a trading system that crosses client orders the persons specified in the first paragraph may decide if, when and how much of two or more orders the want to match within the system. In accordance with the first to the fifth paragraphs, they may also facilitate negotiation between clients so as to bring together two or more potentially compatible trading interest in a transaction.

When assessing whether to grant authorisation for the operation of an OTF or on ad-hoc basis, the Financial Supervisory Authority may require a detailed explanation why the system does not correspond to and cannot operate as a regulated market, MTF, or systematic internaliser. The permission of the Financial Supervisory Authority also applies when requiring a detailed description as to how discretion will be exercised, in particular when an order to the OTF may be retracted and when and how two or more client orders will be matched within the OTF. In addition, the persons specified in the first paragraph shall provide the Financial Supervisory Authority with information explaining their use of matched principal trading. The Financial Supervisory Authority shall monitor how the persons specified in the first paragraph engage in matched principal trading to ensure that they continue to fall within the definition of the Act of such trading and that such trading does not give rise to conflicts of interest between the investment firm or operator of an OTF and its clients.

Articles 33 to 41, 44 to 46, 48 and 49 apply to transactions in an OTF.

CHAPTER II
Persistent conditions for investment firms

Art. 31
Regular review of conditions for authorisation

Investment firms shall comply at all times with the conditions for authorisation under this Act.

Investment firms must notify the Financial Supervisory Authority, in advance where applicable, of any changes to information previously provided in relation to authorisation, including information on the board of directors or managing director, on the increase or decrease in the number of branches and if an investment firm no longer meets the conditions under which authorisation was granted.

Art. 32
Conflicts of interests

Investment firms shall take all appropriate steps to identify and to prevent or manage conflicts of interest that arise in the course of providing any investment and ancillary services, including those caused by the receipt of fees or by the investment firm's own remuneration structures between:

1. the firm on the one hand, including their employees and tied agents, or any person directly or indirectly linked to the firm by control and their clients on the other hand; and
2. between one client and another.

Where the arrangements made in accordance with the second paragraph of Article 21 and Article 22 are not sufficient to ensure that risks of damage to client interests will be prevented, the investment firm shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before providing any services. The information shall be provided on a durable medium and include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

Articles 21, 27, 33, 34 and 38 to 43 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for conflicts of interest.

Art. 33
Principles of business practices

Investment firms shall act honestly, fairly and professionally in accordance with normal and sound business practice and customs when providing investment and ancillary services, with the credibility of the financial market and the interests of its clients in mind.

Investment firms which manufacture financial instruments for sale to clients shall ensure that those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, the strategy for distribution of the financial instruments is compatible with the identified target market, and the investment firm takes reasonable steps to ensure that the financial instrument is distributed to the identified target market.

An investment firm shall understand the financial instruments it offers or recommends. The compatibility of the financial instruments shall be assessed taking into account the needs of the clients having regard to the identified target market of end clients as referred to in Article 22. It should be ensured that the financial instruments are offered or recommended only when this is in the interest of the client.

Articles 38 to 43, 58, 64, 65 and 67 to 69 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the business practices of investment firms.

The Central Bank of Iceland may adopt rules[1)] on the normal and sound business practices of investment firms.

1) *Regulation 353/2022.*

Art. 34

Reporting to clients

Investment firms shall ensure that all information disclosure, including marketing communications to clients or potential clients shall be fair, clear and not misleading. Marketing communications shall be clearly identifiable as such.

Investment firms shall, in good time, provide clients or potential clients appropriate information with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges. The information disclosure shall meet the following conditions:

1. When investment advice is provided, the investment firm must, in good time before it provides investment advice, inform the client:
    a. whether or not the advice is provided on an independent basis;
    b. whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the investment firm or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided; and
    c. whether the investment firm will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client.
2. The information on financial instruments and proposed investment strategies must include appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of investment strategies and whether the financial instrument is intended for retail or professional investors, taking account of the identified target market in accordance with the second paragraph of Article 33.
3. The information on all costs and associated charges must include information relating to both investment and ancillary services, including the cost of advice, where relevant, the cost of the financial instrument recommended or offered to the client and how the client may pay for it, also encompassing any third-party payments.

The investment firm shall have available aggregated information about all costs and charges, including costs and charges in connection with the investment service and the financial instrument, which are not caused by the occurrence of underlying market risk to allow the client to understand the overall cost as well as the cumulative effect on return of the investment. Where the client so requests, an itemised breakdown shall be provided. Where applicable, such information shall be provided to the client on a regular basis, at least annually, during the life of the investment.

Where the agreement to buy or sell a financial instrument is concluded using distance marketing which prevents the prior delivery of information on costs and charges, the investment firm may provide the information in electronic form or on paper, at the request of a retail investor, or as soon as possible after the conclusion of the transaction, provided both the following conditions are met:

1. the client has consented to receiving the information as soon as possible after the conclusion of the transaction;
2. the investment firm has given the client the option of delaying the transaction in order to receive the information in advance; and
3. the investment firm has offered the client to receive the information verbally via telephone.

The investment firm shall ensure that the information referred to in the second and third paragraphs of this Article and the second to the fourth paragraphs of Article 36 is presented in such a manner that clients or potential clients are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis.

Investment firms shall provide all information required by the Act to clients or potential clients in electronic form. However, retail investors shall, upon request, receive the information on paper free of charge. Investment firms shall inform retail investors and potential retail investors of this right.

Investment firms shall inform existing clients who are retail investors and have received the information to be provided on paper under this Act that they will receive the information in electronic form at least eight weeks in advance. Investment firms shall inform these retail investors that they have the option to continue to receive the information on paper or electronic form. They should also be informed that if they do not request to continue to receive the information on paper within the above-mentioned time-limit, it will be sent in electronic form. There is no need to notify retail investors who already receive the information in electronic form of this right.

This Article does not apply to investment services offered as part of a financial product for which information should be provided under the acts on consumer credit.

Articles 36 to 53, 58, 61 and 65 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for information to clients.

Art. 35

Independent investment advice

An investment firm that provides investment advice on an independent basis, shall inform the client thereof and shall comply with the following obligations:

1. Assess a sufficient range of diverse financial instruments available on the market with regard to their type and issuers or product providers to ensure that the client's investment objectives can be suitably met, and the assessment must not be limited to financial instruments issued or provided by:
    a. the investment firm itself or by entities having close links with the investment firm; or
    b. other entities with which the investment firm has such close legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided.
2. Not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that can enhance the quality of service provided to a client and are of such a scale and nature that they do not impair compliance with the investment firm's duty to act in the best interest of the client are excluded from this point and must be clearly disclosed.

Articles 38 to 43, 52 and 53 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details on independent investment advice.

The Minister shall adopt a regulation on independent investment advice, such as the assessment of a sufficient range financial instruments on the market.

Art. 36

Fees, commissions and other benefits.

Investment firms providing portfolio management shall not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that can enhance the quality of service provided to a client and are of such a scale and nature that they do not impair compliance with the investment firm's duty to act in the best interest of the client are excluded from this point and must be clearly disclosed.

An investment firms is regarded as not fulfilling its obligations under Article 32 and the first paragraph of Article 33 where it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit in connection with the provision of an investment service or an ancillary service, to or by any party except the client or the representative of the client, other than where the payment or benefit:

1. is designed to enhance the quality of the relevant service to the client; and
2. does not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the interests of its clients.

Before providing any service, the investment firm shall, in a manner that is comprehensive, accurate and understandable, clearly disclose to the client the existence, nature and amount of the payment or benefit referred to in the second paragraph. Where the amount cannot be ascertained, the method of calculating that amount, shall be disclosed. Where applicable, the investment firm shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service.

The payment or benefit which enables or is necessary for the investment firm to provide investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the investment firm's duties to act honestly, fairly and professionally in accordance with the interests of its clients, is not subject to the requirements set out in the second paragraph.

An analysis from a third party that is provided to an investment firm providing investment services or ancillary services is deemed to meet the requirements under the first paragraph of Article 33 if:

1. a contract has been concluded between the investment firm and the provider of the analysis prior to the conclusion of a transaction or provision of the analysis, under which the combined fees and payments for the execution of transactions and analysis are broken down to show how much is for the analysis;
2. the investment firm informs its clients of the combined payments for the execution of transactions and analyses to a third party providing the analysis; and
3. the analysis relates to issuers whose market value has not exceeded EUR 1 billion within the last 36 months before the analysis is provided, on the basis of quoted offers at the end of the years in which the issuer was listed on the market or on the equity basis for the financial years in which it was not listed on the market.

Within the meaning of this Article, analysis includes analytical material and services in relation to one or more financial instruments or other assets, or issuers or potential issuers of financial instruments, or analytical material and services closely related to a particular industry or market, insofar as they involve an opinion of a financial instrument, or of an issuer in that industry or market.

Analysis also includes analytical material and services that:

1. directly or indirectly recommend or propose an investment strategy and provide a reasoned opinion on the present or future value or future price of a financial instrument or asset, or

otherwise involve an analysis or own assessment and reach a conclusion based on new or older information that could be used to formulate an investment strategy; and

2. is relevant and can give the investment firm the ability to make better investment decisions on behalf of the client who pays for the analyses.

The Minister shall adopt a regulation on fees, commissions and other benefits.

Art. 37

Bonus systems and severance agreements of investment firms

An investment firm which provides investment services to clients shall ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, it shall not make any arrangement by way of a bonus system, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail investor when the investment firm could offer a different financial instrument which would better meet that client's needs.

In other respects, Articles 57 and 57b, cf. the fourth paragraph of Article 25 of the Act on Financial Undertakings, apply to the bonus systems and severance agreements of investment firms.

Article 27 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details for bonus systems and severance agreements of investment firms under this Article.

Art. 38

Packages

When an investment firm offers investment service together with another product or service as part of a package or has a condition for buying the investment service as a part of a specific package, it shall inform the client whether it is possible to buy the different components separately and shall provide for a separate evidence of the costs and charges of each component.

Where the risks resulting from such an agreement or package offered to a retail investor are likely to be different from the risks associated with the components taken separately, the investment firm shall provide an adequate description of the different components of the package and the way in which its interaction modifies the risks.

Art. 39

Knowledge and competence of natural persons giving information on financial instruments and services

Investment firms shall ensure that natural persons giving investment advice or information about financial instruments, investment services or ancillary services on behalf of the investment firm possess the necessary knowledge and competence to fulfil their obligations under Articles 33 to 38 and 44 to 46.

The Financial Supervisory Authority may require an investment firm to demonstrate how these requirements are met. The Financial Supervisory Authority shall publish the criteria to be used for assessing such knowledge and competence.

Art. 40

Securities licenses

Employees of an investment firm, in charge of day-to-day activities in connection with investment services and activities or giving investment advice, shall have a securities license.

The Minister grants securities licenses. In order to obtain a securities license, the relevant test must be passed, cf. Article 41, and the Ministry maintains a register of those granted securities licenses. Only those on the register are allowed to refer to or otherwise indicate that they have a securities license.

In connection with receiving authorisation as an investment firm, investment firms shall notify the Financial Supervisory Authority of their employees pursuant to the first paragraph. Investment

firms are required to keep an up-to-date record of those employees. The Financial Supervisory Authority may grant a grace period of up to 6 months for new employees of an investment firm to acquire a securities license, as well as for those employees who, due to changes in their duties, are required to hold a securities license, e.g. as a result of promotion, if called for by exceptional circumstances. Such exemption should be applied for from the Financial Supervisory Authority. The Central Bank of Iceland may adopt detailed rules on the implementation of this paragraph.

Natural persons who have acquired a securities license are required to undergo regular continuing education, which will ensure that they maintain their academic knowledge, professional competence and values. The Minister determines in a regulation the number of hours natural persons must spend in continuing education during each three-year period in order to maintain their license, which shall be a maximum of nine hours in respect of securities licenses. The period for the continuing education of persons acquiring the license begins on 1 January of the year following the year in which the license was granted. Natural persons licensed under this Article shall keep a record of continuing education in accordance with the decision of the Examination Committee for Securities Transactions.

If the person who has acquired a license has not completed continuing education pursuant to the fourth paragraph within the prescribed period, the Minister is entitled to cancel his/her license.

Art. 41

Examination and examination committee

The Examination Committee for Securities Licenses manages the examination for securities licenses in accordance with Article 40, which shall generally be held on once a year. The Minister appoints an examination commission for a period of four years at a time. The decisions of the Examination Committee are final at the administrative level.

The Examination Committee for Securities Licenses may task independent parties with grading exams. The Examination Committee may also appoint an external examiner to review the exam of the examinee. To cover the costs of conducting examination, examinees shall pay a fee determined by the Minister.

The Minister adopts a regulation[1)] on the appointment of the Examination Committee and the implementation of the examination, including the examination requirements, examination subjects, the minimum qualification for passing the examination and the authority to grant exemptions from individual parts of such examination or the examination as a whole, [continuing education][2)] and the authority of the Examination Committee to engage an employee to manage the preparation and conduct of examinations and courses.

1) *Regulation 1125/2021.* 2) *Act 50/2022, Art. 5.*

Art. 42

Nominee registration

An investment firm may apply to the Financial Supervisory Authority for authorisation to preserve financial instruments owned by its clients in a nominee account and accept payment on behalf of its clients from individual issuers of financial instruments, provided that the investment firm has explained to the client the legal effects thereof and the client has granted approval. The financial undertaking shall keep a record of the holdings of each individual client under this Article.

In the event that an investment firm is sent into receivership or granted a moratorium on its debts, or the firm is wound up or comparable measures are taken, the client may, on the basis of the record provided for in the first paragraph, withdraw their financial instruments from the nominee account, provided that their ownership is not disputed.

The Minister adopts a regulation on nominee registration, including on the conditions of authorisation to register financial instruments in a nominee account, the identification of a nominee account, information on the number of holders of nominee account, the identification of clients behind nominee accounts and the provision of information to the Financial Supervisory Authority.

Art. 43

Endorsement of transfer

An investment firm may transfer transferable financial instruments in a client's name provided it has been issued a written power of attorney to do so. The endorsement of a financial undertaking is not regarded as interrupting the order of endorsement even though the power of attorney is not attached to the transferable financial instrument, provided the endorsement mentions that the instrument is transferred in accordance with a power of attorney in its keeping. The investment firm shall preserve written powers of attorney for as long as any rights attach to the instrument transferred in this manner. The purchaser of the instrument shall be provided with a copy of the power of attorney upon requests.

An investment firm offering safekeeping of transferable financial instruments may preserve endorsements pursuant to the first paragraph in a separate file while the instrument is in its custody, provided that such endorsements are entered on the instrument when it leaves the custody of the investment firm. An investment firm intending to exercise this option shall obtain the consent of the Financial Supervisory Authority for the arrangement of custody and the information system intended for use.

A client that has granted an investment firm power of attorney as provided in the first paragraph cannot make a claim on a transferee by invoking the investment firm's lack of authorisation, except in cases where the power of attorney was manifestly inadequate.

Art. 44

Assessment of suitability

When providing investment advice or portfolio management the investment firm shall assess whether a product or service is suitable for a client or potential client by obtaining the necessary information on:

1. client's knowledge and experience in the investment field relevant to the specific type of product or service,
2. the financial situation of the client including the client's ability to bear losses; and
3. The investment objectives of the client including the client's risk tolerance.

The information obtained by an investment firm pursuant to the first paragraph shall enable it to advise the client or potential client of a suitable product or service. The investment firm should pay particular attention to ensuring that the product or service in accordance with the client's risk tolerance and ability to bear losses.

An investment firm providing investment advice recommending a package pursuant to Article 38 shall ensure that it is suitable for the client.

When providing investment advice or portfolio management involving the exchange of financial instruments, it shall obtain sufficient information on the client's investment and assess the benefits and costs of exchanging the financial instrument. When providing investment advice, the investment firm should inform the client whether the benefits of exchanging the financial instruments outweigh the costs.

Articles 54 and 55 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the assessment of suitability.

Art. 45

Assessment of appropriateness

When providing investment services other than those referred to in Article 44, investment firms shall obtain information on the client or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, to assess whether it is appropriate for the client or potential client.

When assessing a package pursuant to Article 38, it shall be taken into account whether it is appropriate for the client.

Where the investment firm considers, on the basis of the information received under the first paragraph, that the envisaged product or service is not appropriate to clients or potential clients, the investment firm shall inform them of that fact. Such a warning may be provided in a standardised format.

Where clients or potential clients provide insufficient information regarding their knowledge and experience or fail to provide any of the information referred to under the first paragraph, the investment firm shall inform them that it is not in a position to determine whether the service or product envisaged is appropriate for them. Such a warning may be provided in a standardised format.

Investment firms may provide investment services without obtaining information or assessing appropriateness pursuant to the first paragraph, provided that the services only consist of execution or reception and transmission of client orders with or without ancillary services, excluding the granting of credit pursuant to [point (67)][1)](b) of the first paragraph of Article 4 other than already approved client loans, including overdraft facilities, and that all of the following conditions are met:

1. The services relate to any of the following financial instruments:
    a. shares admitted to trading on a regulated market within the EEA or on an equivalent third-country market or on an MTF, excluding shares in non-UCITS collective investment undertakings and shares that embed a derivative;
    b. bonds or other forms of securitised debt admitted to trading on a regulated market within the EEA or on an equivalent third country market or on an MTF, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;
    c. money-market instruments, excluding those that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved;
    d. units in UCITS, excluding structured UCITS as referred to in the first paragraph of Article 36 of Commission Regulation (EU) No 583/2010, cf. Regulation No 983/2013 on the Entry into Force of Commission Regulation (EU) No 583/2010 Implementing Directive 2009/65/EC of the European Parliament and of the Council as Regards Key Investor Information and Conditions to Be Met When Providing Key Investor Information or the Prospectus in a Durable Medium Other Than Paper or by Means of a Website;
    e. structured deposits, excluding those that incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term; or
    f. other non-complex financial instruments.
2. The service is provided at the initiative of the client or potential client.
3. The client or potential client has been clearly informed that the investment firm is not required to assess the appropriateness of the financial instrument or service and that therefore the client or potential client does not benefit from the corresponding protection of the relevant conduct of business rules. Such a warning may be provided in a standardised format.
4. The investment firm complies with its requirements on conflict of interest under Article 32.

A third country market shall be deemed to be comparable to a regulated market within the meaning of points (1)(a) and (b) of the fifth paragraph where an equivalence decision has been incorporated into the EEA Agreement.

Articles 55 to 57 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the assessment of appropriateness and the provision of financial services without obtaining information or carrying out an assessment of appropriateness.

1) *Act 50/2022, Art. 6.*

Art. 46

Contracts and reporting to clients

The investment firm shall establish a record of all contracts concluded with each client that set out the rights and obligations in the trading of the parties. The rights and duties of the parties may be incorporated in the contract by reference to legal texts or documents available to the client.

The investment firm shall provide the client with adequate information on the service provided in a durable medium. This reporting shall include periodic notices to clients, taking into account the type and the complexity of financial instruments involved and the nature of the service provided. Where applicable, the disclosure shall include the costs associated with the transactions and/or services.

When providing investment advice to a retail investor, the investment firm shall, before the transaction is made, provide the client with a statement on suitability in a durable medium specifying the investment advice given and how that advice meets the preferences, objectives and other needs of the retail investor.

Where the agreement to buy or sell a financial instrument is concluded using distance marketing which prevents the prior delivery of the suitability statement, the investment firm may provide the written statement on suitability in a durable medium immediately after the client is bound by such agreement, provided both the following conditions are met:

1. the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and
2. the investment firm has given the client the option of delaying the transaction in order to receive the statement on suitability in advance.

Where an investment firm provides portfolio management or has informed the client that it will carry out a periodic assessment of suitability, the assessment shall contain an updated statement of how the investment meets the client's preferences, objectives and other needs of the retail investor.

Articles 44 to 46 do not apply in cases where investment services are provided in connection with mortgage credit to consumers pursuant to point (4)(a) of Article 4 of Act No 118/2016 on Mortgage Credit to Consumers, and the services are a prerequisite for the granting of the loan, provided that the creditworthiness assessment and credit rating for the loan have already been carried out.

Articles 56, 59 to 63 and 73 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for the contracts and reporting to clients.

Art. 47

Provision of services through third parties

An investment firm receiving an instruction to provide investment or ancillary services on behalf of a client through the medium of another investment firm may rely on information transmitted by the latter investment firm on the client and the advice it has provided to the client.

The investment firm which mediates the instructions referred to in the first paragraph is responsible for the completeness and accuracy of the information transmitted and for the suitability of the advice given to the client.

The investment firm which receives the instruction referred to in the first paragraph is responsible for the provision of services and transactions complies with the provisions of this Section.

Art. 48

Most favourable execution

When executing orders, investment firms shall take all sufficient steps to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration. Nevertheless, where there is a specific instruction from the client the investment firm shall execute the order following the specific instruction.

Where an investment firm executes an order on behalf of a retail investor, the best possible result shall be determined in terms of the total consideration, representing the price of the financial

instrument and the costs relating to execution. All expenses incurred by the client, which are directly relating to the execution of the order, including fees, shall be included.

For the purposes of delivering best possible result in accordance with the first paragraph, where it is possible to execute the order in more than one execution venue, an investment firm shall assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in the investment firm's order execution policy. The assessment shall take into account the investment firm's own commissions and the costs for executing the order on each of the execution venues.

An investment firm shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements set out in the first to third paragraphs of this Article, the second paragraph of Article 21, Article 22 and Articles 32 to 38.

Trading venues and systematic internalisers shall make available to the public, at least once a year, without any charge, data in the form of reports relating to the quality of the execution of transactions in financial instruments subject to trading obligations pursuant to Articles 23 and 28 of MiFIR. Trading venues shall also make available to the public such reports on financial instruments not subject to the trading obligation. These reports shall include details about price, costs, speed and likelihood of execution for individual financial instruments. After completing transactions, investment firms shall inform clients where they were executed.

Investment firms shall establish effective arrangements for complying with their obligations pursuant to the first to the third paragraphs. In particular, investment firms shall establish an order execution policy to allow them to obtain the best possible result for their clients. The order execution policy shall include, in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue. The policy shall at least include those execution venues that enable the investment firm to obtain on a consistent basis the best possible result for the execution of client orders. Investment firms shall provide appropriate information to their clients on their order execution policy and obtain the prior consent of their clients to the order execution policy. That information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the investment firm.

Where the order execution policy specified in the sixth paragraph provides for the possibility that client orders may be executed outside a trading venue, the investment firm shall specifically inform its clients about that possibility. Investment firms shall obtain the prior express consent of their clients before proceeding to execute their orders outside a trading venue. Such consent may either be in the form of a general agreement or in respect of individual transactions.

Investment firms who execute client orders shall summarise and make public on an annual basis, for each class of financial instruments, the top 5 execution venues in terms of trading volumes in the preceding year and information on the quality of execution obtained.

Investment firms who execute client orders shall monitor the effectiveness of their order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, they shall assess, on a regular basis, whether the trading systems included in the order execution policy provide for the best possible result for the client or whether they need to make changes to their execution arrangements, taking account of, among other things, the information published under the fifth and eighth paragraphs. Investment firms shall notify their clients of any material changes to their order execution arrangements or execution policy.

Investment firms shall be able to demonstrate to their clients, at their request, that they have executed their orders in accordance with the investment firm's execution policy as specified in the sixth paragraph.

Articles 64 to 66 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for best execution.

[The Central Bank of Iceland shall adopt rules[1)] on the content and format of information to be disclosed by investment firms pursuant to this Article.][2)]

1) *Regulation 854/2022.* 2) *Act 50/2022, Art. 7.*

Art. 49

Client order handling

Investment firms shall implement procedures and arrangements which provide for the prompt and fair execution of client orders, relative to other client orders and the trading interests of the investment firm.

Investment firms shall execute comparable client orders in accordance with the time of their reception.

In the case of a client limit order in respect of shares traded on a trading venue which are not immediately executed under prevailing market conditions, investment firms shall, unless the client instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in a manner which is accessible to other market participants. Investment firms may comply with this obligation by transmitting the client limit order to a trading venue.

The Financial Supervisory Authority may waive the obligation set out in the third paragraph to make public a limit order that is unusually large in scale compared with normal market size as determined under Article 4 of MiFIR.

Articles 67 to 70 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for client order handling.

Art. 50

Tied agents

Investment firms may appoint tied agents for the purposes of promoting the services of the investment firm, soliciting business or receiving orders from clients or potential clients and transmitting them, placing financial instruments and providing investment advice.

Investment firms providing services through tied agents are fully and unconditionally responsible for any action or omission on the part of the tied agent when acting on behalf of the investment firm. Tied agents are obliged to discloses to clients the capacity in which they are acting. Tied agents are not allowed to accept funds from clients.

Investment firms shall monitor that their tied agents:

1. are of good repute;
2. possess the appropriate general, commercial and professional knowledge,
3. possess competence so as to be able to deliver the investment service or ancillary service and to communicate accurately all relevant information regarding the proposed service to the client or potential client; and
4. act in accordance with the laws and regulations governing investment and ancillary services.

Investment firms shall take appropriate measures in order to avoid any negative impact that other activities of the tied agent could have on the activities carried out by the tied agent on behalf of the investment firm pursuant to the first paragraph.

Investment firms intending to appoint a tied agent to act on their behalf in Iceland shall apply to the Financial Supervisory Authority for the registration of the tied agent. Tied agents shall have a securities license.

The Financial Supervisory Authority shall keep a register of tied agents who meet the requirements of this Article and publish it on its website. Tied agents are entitled to commence activities in Iceland following registration.

Art. 51

Client categorisation etc.

Investment firms shall categorise their clients as eligible counterparties, professional investors or retail investors upon commencement of a business relationship. Investment firms shall provide information to clients on a durable medium about their classification, their right to request to be included in another category and the consequences thereof. Investment firms shall establish procedures to categorise clients.

Professional investors are responsible for notifying investment firms about any change, which could affect their categorisation as professional investor. Should the investment firm become aware that a client no longer fulfils the conditions to be treated as a professional investor, the investment firm shall take appropriate action.

Article 45 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details concerning client categorisation.

Art. 52

Higher level of protection for professional investors

Investment firms must inform professional investors of their right to request being categorised as a retail investor. A higher level of protection will only be granted to a professional investor following a written agreement with the investment firm that the client will not be categorised as a professional investor. The agreement should specify whether this applies generally or only in respect to a particular transaction, service, financial instrument or product.

Art. 53

Services provided to professional investors

Point (3) of the second paragraph of Article 34 do not apply to services provided to professional investors except for investment advice and portfolio management. The fourth paragraph of Article 44 and the second to fifth paragraphs of Article 46 do not apply to services provided to a professional investor, unless the client informs the investment firm, either in electronic form or on paper, that the client wishes this to be the case. Investment firms shall maintain a register of all such communications, cf. the fifth paragraph of Article 23.

Art. 54

Persons who may request to be professional investors

Persons who are not considered professional investors may request an investment firm to categorise them as professional investors. Investment firms shall assess the expert knowledge and experience of clients to determine whether it provides sufficient certainty that clients are capable to make their own investment decisions and properly assess the risks that they incur. In order for a client to be treated as a professional investor under this Article, the client shall satisfy at least two the following criteria:

1. The client has, over the previous four quarters, carried out significant transactions on the relevant market at an average frequency of at least 10 transactions per quarter;
2. The total value of the client's financial instruments and deposits exceeds the equivalent of EUR 500 000 [in ISK],[1)] based on the official exchange rate listed at any given time.
3. The client works or has worked in the financial sector for at least one year in a professional position that requires knowledge of the transactions or services envisaged.

In order for the clients referred to in the first paragraph to request to be considered as professional investors, they must notify the investment firm in writing whether they request to be categorised as such either generally or in respect of a particular investment transaction or type of transaction. In this case, the investment firm must give them a clear written warning of the protections and investor compensation rights they may lose, and they must state, in a separate document, that they are aware of the consequences of losing such legal protection.

1) *Act 50/2022, Art. 8.*

Art. 55

Transactions with eligible counterparties

Investment firms authorised to execute orders on behalf of clients, to deal on own account or to receive and transmit orders, may enter into transactions with eligible counterparties without complying with the obligations under [Article 33, points (1), (4) and (6) to (9) of Article 34, Articles 35 to 41, Article 44, Article 45, the first, sixth and seventh paragraphs of Article 46],[1)] Article 48 and the first and second paragraphs of Article 49.

Notwithstanding the provisions of the first paragraph, eligible counterparties may require investment firms to comply with the provisions specified in the first paragraph in their transactions with them.

Before executing a transaction in accordance with the first paragraph, investment firms shall obtain confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty in that transaction. That confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

Investment firms shall act honestly, fairly and professionally in their relationship with eligible counterparties and communicate in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and of its business.

Articles 71 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details on transactions with eligible counterparties.

1) *Act 50/2022, Art. 9.*

Art. 56

Trade monitoring

Investment firms and market operators operating an MTF or OTF shall have effective arrangements and procedures for the regular monitoring of the compliance by its members or participants or users with its rules. They shall also monitor effectively any orders, cancellations and the transactions undertaken by their members or participants or users in order to identify infringements of market rules, disorderly trading conditions, conduct that may indicate behaviour that is prohibited under MAR or system disruptions in relation to a financial instrument.

Investment firms and market operators as referred to in the first paragraph shall inform the Financial Supervisory Authority immediately of significant infringements of its rules, disorderly trading conditions, conduct that may indicate behaviour that is prohibited under MAR or system disruptions. They shall also provide full assistance to the Financial Supervisory Authority and the police in the investigation and prosecution of market abuse occurring in or through their systems.

The Financial Supervisory Authority shall forward to ESMA and the competent authorities of other Member States the information referred to in the second paragraph. However, in relation to conduct that may indicate behaviour that is prohibited under MAR, the Financial Supervisory Authority must be convinced that such prohibited behaviour has taken place before forwarding the information.

Article 82 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details on trade monitoring.

Art. 57

Suspension and removal of financial instruments from trading on an MTF or an OTF

Investment firms and market operators operating an MTF or an OTF may suspend or remove from trading a financial instrument which no longer complies with the rules of the facility unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market. In such cases, the investment firm or market operator shall also suspend or remove from trading derivatives referred to in points (2)(a) to (g) of the first paragraph of

Article 4 that relate or are referenced to that financial instrument where necessary to support the objectives of the decision. The investment firm or market operator shall make public its decision pursuant to the first sentence and notify the Financial Supervisory Authority of the decision.

The Financial Supervisory Authority shall require that trading venues and systematic internalisers that trade financial instruments, including the derivatives referred to in the first paragraph, suspend or remove them from trading, provided that the suspension or removal is due to a take-over bid, suspected market abuse or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of MAR, except where such decision could cause significant damage to the investors' interests or the orderly functioning of the market. The Financial Supervisory Authority shall immediately make public such a decision and notify ESMA and the competent authorities of the other Member States thereof.

Where the Financial Supervisory Authority receives a notification pursuant to the second paragraph of a decision by the competent authority of another Member State, it shall require trading venues and systematic internalisers that trade financial instruments, including the derivatives referred to in the second paragraph, suspend or remove them from trading, provided that the suspension or removal is due to a take-over bid, suspected market abuse or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of MAR, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market. The Financial Supervisory Authority shall notify ESMA and other competent authorities of its decision, including an explanation if the Financial Supervisory Authority decides to refrain from action.

The procedure referred to in the second and third paragraph also applies where the Financial Supervisory Authority lifts its decision under this Article, when it decides to suspend from trading financial instruments, including derivatives, or remove them from trading pursuant to points (10) and (11) of the fourth paragraph of Article 119, and when it lifts such a decision.

Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details for suspending financial instruments from trading and removing them from MTFs or OTFs.

The Central Bank of Iceland shall adopt rules[1)] on the implementation of the provision, including the format and content of notifications.

1) *Regulation 854/2022.*

Art. 58

SME growth markets

Operators of an MTF authorised in Iceland may apply to the Financial Supervisory Authority to have the MTF registered as an SME growth market.

After receiving the application referred to in the first paragraph, the Financial Supervisory Authority may register the MTF as an SME growth market if the Authority is satisfied that the requirements in the third paragraph are met.

MTFs shall have effective rules, systems and procedures which ensure that:

1. At least 50 % of the issuers whose financial instruments are admitted to trading on the MTF are SMEs at the time when the MTF is registered as an SME growth market and in any calendar year thereafter.
2. Appropriate criteria are set for initial and ongoing admission to trading of financial instruments.
3. There is sufficient information published on initial admission to trading of financial instruments on the market to enable investors to make an informed judgment about investments. This shall be done either using the appropriate admission document or a prospectus if the legislative requirements on securities transactions concerning public offers.
4. There is appropriate periodic financial reporting on the market, by or on behalf of an issuer on the market, for example audited annual reports.

5. Issuers, natural persons discharging managerial responsibilities and persons closely associated with them within the meaning of MAR comply with the relevant requirements of MAR.
6. Regulatory information concerning the issuers is stored and disseminated to the public.
7. There are effective systems and controls aiming to prevent and detect market abuse on the growth market.

Market operators operating an MTF may impose on issuers additional requirements to those specified in third paragraph.

The Financial Supervisory Authority may deregister an SME growth market if:

1. the market operator operating the market applies for its deregistration; or
2. the requirements set out in the third paragraph 3 are no longer met.

The Financial Supervisory Authority shall as soon as possible notify ESMA if it registers or deregisters an SME growth market.

Where a financial instrument has been admitted to trading on one SME growth market, the financial instrument may also be traded on another SME growth market provided that the issuer has been informed and has not objected. In such a case, the issuer shall not be subject to any obligation relating to corporate governance or disclosure with regard to the latter growth market.

Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details on SME growth markets.

Art. 59

Complaints and redress procedures

Investment firms shall make available information on complaint and redress procedures if disputes arise between them and consumers concerning investment or ancillary services, including on referral to an alternative dispute resolution (ADR) entity in accordance with the Act on Alternative Dispute Resolution for Consumer Disputes.

CHAPTER III
Activities of investment firms between Member States

Art. 60

Services and activities of investment firms, authorised in a Member State, in Iceland without the establishment of a branch

Investment firms authorised and supervised in another Member State may freely provide services and perform activities in accordance with this Act in Iceland without the establishment of a branch or through a tied agent established in the home Member State of the firm.

The authorisation to provide services and perform activities in Iceland under this Article will never be broader than the authorisations of the firm in its home Member State. Ancillary services may only be provided together with an investment service and/or activity.

Swiss and Faroese investment firms may provide services and activities in accordance with this Act in Iceland if they are subject to the same requirements imposed on investment firms authorised and supervised in an EEA State and a cooperation agreement has been concluded between the Central Bank of Iceland and the competent Swiss or Faroese authorities.

The Financial Supervisory Authority shall publish on its website information on the tied agents established in the home Member State of an investment who are authorised to provide services and/or perform activities in Iceland on behalf of a foreign company.

Art. 61

Services and activities of investment firms, authorised in a Member State, with the establishment of a branch or through a tied agent

Investment firms authorised and supervised in another Member State may establish branches in Iceland or provide services or activities through a tied agent established in Iceland 2 months after the

Financial Supervisory Authority receives notification of the proposed activities from the competent authority of the home Member State of the firm, without prejudice to the second paragraph.

Services or activities may not be provided under this Article through tied agents established in Iceland before the Financial Supervisory Authority receives notification with the identity of those tied agents from the competent authorities of the home Member of the firm.

The authorisation to provide services and perform activities in Iceland under this Article will never be broader than the authorisations of the firm in its home Member State. Ancillary services may only be provided together with an investment service and/or activity.

Swiss and Faroese investment firms may provide services and activities in accordance with this Act in Iceland if they are subject to the same requirements imposed on investment firms authorised and supervised in an EEA State and a cooperation agreement has been concluded between the Central Bank of Iceland and the competent Swiss or Faroese authorities.

The Financial Supervisory Authority shall monitor the compliance of branches of investment firms in Iceland, which provide services or activities under this Act, with the provisions of [Articles 23],[1)] 33 to 41, 44 to 46, 48 and 49 of the Act and Articles 14 to 26 of MiFIR.

The Financial Supervisory Authority may examine the measures taken by the branch and request any changes required to enable the Financial Supervisory Authority to monitor the compliance of the branch with the obligations specified in the fifth paragraph. Before the Financial Supervisory Authority may carry out on-site inspections in a branch of an investment firm, it must notify the competent authority of its home Member State thereof.

The competent authority of the home Member State may, after notifying the Financial Supervisory Authority thereof, carry out an on-site inspection at the branches of the firms which have given notice of their services and/or activities in Iceland.

The Financial Supervisory Authority shall publish on its website information on tied agents established in Iceland who are authorised to provide services and/or perform activities on behalf of a foreign company under this Article.

Provisions of the Act on Public Limited Companies concerning branches of foreign limited companies shall not apply to branches as referred to in the first paragraph.

1) *Act 50/2022, Art. 10.*

Art. 62

Services and activities of investment firms, authorised in Iceland, in a Member State without the establishment of a branch

Investment firms authorised and supervised in Iceland may freely provide services and perform activities in a Member State in accordance with this Act without the establishment of a branch or through a tied agent established in Iceland. Firms shall notify the Financial Supervisory Authority of their plans in advance. This notice shall specify in what Member State the provision of services or activities is envisaged, the proposed services and/or activities and whether the firm intends to use tied agents and the identity of those tied agents.

Investment firms may provide services and activities in accordance with this Act in Switzerland and the Faroe Islands if a cooperation agreement has been concluded between the Central Bank of Iceland and the competent Swiss or Faroese authorities.

Not later than 1 month from the date of receipt of the notification referred to in the first paragraph, the Financial Supervisory Authority shall forward the notification to the competent authorities of the relevant host Member State including confirmation that the proposed services and activities are covered by the authorisation granted to the firm.

The firm shall notify the Financial Supervisory Authority of any change in the information previously provided in accordance with the first paragraph at least one month before implementing the change. The Financial Supervisory Authority shall notify the competent authority of the host Member State where the firm provides services and/or activities of any change in previously provided information.

The Central Bank of Iceland shall adopt rules[1)] on the format, content and procedure for notices pursuant to the first paragraph.

1) *Regulation 852/2022.*

Art. 63

Notification by Icelandic investment firms of the establishment of a branch and/or the use of a tied agent in another Member State

Investment firms authorised and supervised in Iceland may freely provide services and perform activities in a Member State in accordance with this Act with the establishment of a branch or through a tied agent established in a host Member State. Firms shall notify the Financial Supervisory Authority of their plans in advance.

Notification pursuant to the first paragraph shall include information on:

1. the Member States within the territory of which the firm plans to establish a branch or use tied agents established there;
2. a programme of operations setting out, among other things, the investment services and/or activities as well as the ancillary services to be offered;
3. where established, the organisational structure of the branch and the identity of the tied agent the branch intends to use;
4. a description of the intended use of a tied agent in a Member State in which an investment firm has not established a branch and of the organisational structure, including reporting lines and how the agent fits into the corporate structure of the firm;
5. the address in the host Member State from which documents may be obtained; and
6. the names of those responsible for the management of the branch and/or of the tied agent.

Where a firm uses tied agents established in a Member State outside their home Member State, the provisions of this Act relating to branches shall apply to such tied agents. Where a branch of an investment firm has been established in the relevant Member State, the tied agent shall be assimilated to the branch.

Unless the Financial Supervisory Authority has reason to doubt the adequacy of the administrative structure or the financial situation of an investment firm, it shall, within 3 months of receiving all the information referred to in the first paragraph, communicate that information to the competent authority of the host Member State. The Financial Supervisory Authority shall also communicate details of the coverage of clients of the branch under the Act on Deposit Guarantees and Investor-Compensation Scheme to the competent authority of the host Member State. At the same time, the firm concerned shall be notified that the above information has been communicated. Any decision of the Financial Supervisory Authority not to communicate the information to the competent authority of the host Member State shall be justified and communicated to the firm concerned as soon possible, and at the latest within 3 months from the receipt of sufficient information as referred to in the first paragraph.

Investment firms and credit institutions may provide services and activities in accordance with this Act in Switzerland and the Faroe Islands if a cooperation agreement has been concluded between the Financial Supervisory Authority and the competent Swiss or Faroese authorities.

The firm shall notify the Financial Supervisory Authority of any change in the information previously provided in accordance with this Article at least 1 month before implementing the change. The Financial Supervisory Authority shall notify the competent authorities of the host Member State of any change in previously provided information. Where a firm decides to close a branch, it must also notify the Financial Supervisory Authority within the time limit set above.

The Financial Supervisory Authority may, after notifying the competent authority of the home Member State thereof, carry out an on-site inspection at the branches of Icelandic investment firms.

The Central Bank of Iceland shall adopt rules[1)] on the format, content and procedure for notices pursuant to the first paragraph.

1) *Regulation 852/2022.*

Art. 64

Activities of MTFs and OTFs between Member States

Investment firms and market operators operating MTFs and OTFs in other Member States may provide appropriate arrangements in Iceland to facilitate access to and trading on those markets by remote users, members or participants established in Iceland.

An investment firm or market operator operating MTFs and OTFs in Iceland shall notify the Financial Supervisory Authority if it intends to provide arrangements in another Member State to facilitate access to and trading on those markets by remote users, members or participants established abroad. The notification shall indicate the Member State in which such arrangements are envisaged. The Financial Supervisory Authority shall communicate, within 1 month, that information to the competent authority of the Member State in which the firm intends to provide such arrangements.

The Financial Supervisory Authority shall, on the request of the competent authority of the host Member State of the MTF and without undue delay, communicate the identity of the remote members or participants of the MTF established in that host Member State.

The Central Bank of Iceland may regulate the format and content of notification pursuant to the second paragraph.

Art. 65

Membership of investment firms in other Member States to regulated markets in Iceland

Regulated markets in Iceland shall, subject to compliance with rules of the market as referred to in Article 94, provide investment firms from other Member States which are authorised to execute client orders or to deal on own account the right of membership and/or:

1. directly, by setting up branches in Iceland; or
2. by becoming remote members of or having remote access to the regulated market without being established in Iceland, where the trading procedures and systems of the market in question do not require a physical presence for conclusion of transactions on the market.

Art. 66

Access to a CCP and clearing and settlement facilities and right to designate settlement system

CCPs and clearing and settlement facilities in Iceland shall provide investment firms from other Member States direct and indirect access for the purposes of finalising or arranging the finalisation of transactions in financial instruments. The access shall be subject to the same transparent and objective criteria as apply to domestic members or participants.

Members and participants of a regulated market in Iceland shall have the right to designate the system for the settlement of transactions in financial instruments undertaken on that regulated market, subject to the following conditions:

1. such links and arrangements between the designated settlement system and any other system or facility as are necessary to ensure the efficient and economic settlement of the transaction in question; and
2. agreement by the Financial Supervisory Authority that technical conditions for settlement of transactions concluded on the regulated market through a settlement system other than that designated by the regulated market are such as to allow the smooth and orderly functioning of financial markets.

Art. 67

CCPs and clearing and settlement arrangements in respect of MTFs

Investment firms and market operators operating an MTF may enter into appropriate arrangements with a CCP or clearing house and a settlement system of another Member State with a view to providing for the clearing or settlement of some or all trades concluded by the members or participants under their systems.

The Financial Supervisory Authority may only limit the use of investment firms and market operators operating an MTF of CCPs, clearing houses and settlement systems in another Member State where demonstrably necessary in order to maintain the orderly functioning of that MTF and taking into account the conditions for settlement systems established in the second paragraph of Article 66.

CHAPTER IV
Investment firms established outside the EEA

Art. 68
Services and/or activities of investment firms established outside the EEA in Iceland with the establishment of a branch

The Financial Supervisory Authority may authorise investment firms established outside the EEA to provide investment services and/or perform investment activities through the establishment of a branch in Iceland.

Article 6 applies to the authorisation of branches and the register of branches.

The Financial Supervisory Authority shall, within six months from the date of submission of a satisfactory application by the firm, make a decision on whether it grants authorisation to operate a branch. If, in the opinion of the Financial Supervisory Authority, an application does not meet the requirements of this Act, it shall refuse the authorisation to operate a branch. The refusal of the Financial Supervisory Authority shall be justified.

The Financial Supervisory Authority may require branches from a non-EEA State to transfer the activities of a branch to a subsidiary authorised in Iceland where its activities, administrative structure, size, number of customers or impact on the Icelandic financial market are such that the Financial Supervisory Authority considers this necessary.

Article 119 applies to the supervision of the branch.

Art. 69
Conditions for authorisation for the establishment of a branch

A prerequisite for the Financial Supervisory Authority to grant authorisation to a branch under Article 68 is the existence of a decision by the European Union stating that the legislation on the investment services and/or investment activities to be provided and/or performed and their supervision in the home state complies with the requirements laid down by MiFID2. There shall also be a cooperation agreement in place providing for periodic exchange of information between the Financial Supervisory Authority and the competent authorities of the home state of the investment firm.

In addition to the above, the following conditions must be met:

1. The firm shall be supervised in its home state and shall comply with the requirements applicable in that State to its operations. The firm shall have comparable authorisation to that of investment firms within the EEA. The proposed services in Iceland shall be covered by its authorisation.
2. It shall be expressly stated that the competent authority of the home state does not object to the establishment of a branch in Iceland. Where the firm is subject to the supervision of more than one competent authority, all of them must submit a statement.
3. The supervision in the home state shall pay due regard to any FATF recommendations in the context of anti-money laundering and countering the financing of terrorism.
4. The branch shall have funds at its free disposal in a bank account in Iceland equal to a minimum of the initial capital endowment of investment firms under the second, third and fourth paragraphs of Article 14a of Act No 161/2002 on Financial Undertakings.
5. The persons, one or more, responsible for the management of the branch shall all comply with the requirement laid down in the first paragraph of Article 10. The same requirements shall be

imposed on the key personnel of the branch within the meaning of the Act on Financial Undertakings.

6. The home state of the firm must have signed an agreement with the Government of Iceland, which fully complies with the standards laid down in Article 26 of the OECD Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, including, if any, multilateral tax agreements.
7. The firm shall belong to an investor-compensation scheme comparable to the compensation scheme provided for in Directive 97/9/EC of the European Parliament and of the Council on an investor compensation scheme.
8. The branch shall comply with the obligations under Articles 21 to 30, 32 to 41, 44 to 46 and 48, the first and second paragraphs of Article 49, 50 and 55 to 57 of this Act and Articles 3 to 26 of MiFIR.
9. The branch shall comply with the Act on Measures against Money Laundering and Terrorist Financing.
10. The branch shall comply with information systems and outsourcing requirements similar to those imposed on firms providing similar services in Iceland. Outsourcing may not impair the supervision of the branch.

The Financial Supervisory Authority may issue further rules on the periodic submission of data and information pursuant to this Article.

Art. 70

Obligation to provide information

In order for the Financial Supervisory Authority to authorise a firm to operate a branch in accordance with Article 68, the following information must be provided:

1. All relevant information about the firm, including the name, legal form, registered office in the home state, management body and its shareholders. Information shall be included as to whether the relevant competent authority has carried out an assessment of the persons having qualifying holdings in the firm.
2. The annual accounts of the firm for the last three years, together with its organisational structure and information on governance.
3. A programme of operations for the branch, information on the proposed investments and ancillary services, structural organisation and internal organisation of the branch, including how the activity will be carried out, information on what tasks the firm in the Member State carries out for the branch and on the planned outsourcing.
4. Other information deemed necessary by the Financial Supervisory Authority.

In the event of changes in the above-mentioned information, in the conditions laid down in Article 69 or in the activities of a branch, the Financial Supervisory Authority must be notified in advance.

Art. 71

Withdrawal of authorisation

The Financial Supervisory Authority may withdraw authorisation for the operation of a branch in accordance with Article 68:

1. Where the firm renounces its authorisation for the establishment of a branch.
2. Where the firm has obtained the authorisation through false statements or by any other irregular means.
3. Where the branch no longer meets the conditions under which authorisation was granted.
4. Where the firm does not make use of the authorisation within 12 months of receiving it or ceases to provide investment services or perform investment activities for more than 6 consecutive months.

5. Where the branch, in other ways, seriously or repeatedly infringes Icelandic acts applicable to the activities or the rules, statues or regulations adopted pursuant to these acts.
6. Where the branch infringes other acts that provide for withdrawal of authorisation.
7. If the operations of the branch are such that disclosure is not sufficiently sound, or supervision of the activities or services is impaired.

Before a withdrawal is effected as referred to in the first paragraph, the firm shall be granted a suitable time limit to rectify the situation, if possible in the estimation of the Financial Supervisory Authority.

Art. 72

Activities of Icelandic investment firms in non-member states

An investment firm which intends to provide investment services or perform investment activities in a non-member state shall notify the Financial Supervisory Authority in advance and the notification shall include a description of the proposed activity or service and such other information as the Financial Supervisory Authority considers necessary.

The Financial Supervisory Authority may prohibit an activity or service pursuant to the first paragraph if the Authority has reasonable grounds to believe that the disclosure will not be sufficiently sound or that the supervision of the activity or service will be impaired. The Financial Supervisory Authority shall notify the firm of its decision as soon as possible.

Art. 73

Acquisition by an Icelandic investment firm of shares in a financial undertaking in a non-member state

An investment firm intending to acquire or have a qualifying holding in a foreign financial undertaking established in a non-member state shall notify the Financial Services Authority in advance. The Financial Supervisory Authority may prohibit this if it has reasonable grounds to believe that the disclosure will not be sufficiently sound or that the supervision of the activity or service will be impaired. The Financial Supervisory Authority shall notify the firm of its decision as soon as possible.

SECTION 3

Regulated markets

Art. 74

Authorisation

Regulated markets may only be operated by market operators operating as public limited companies who have received authorisation from the Financial Supervisory Authority.

The Financial Supervisory Authority shall grant authorisation to a person, who applies for it, to operate as a market operator subject to the following conditions:

1. That the share capital pursuant to Article 77 has been fully paid.
2. That those who have or will have a qualifying holding in the firm are suitable to manage the holding considering the integrity and sound operation of the regulated market.
3. That the provisions of Article 79 on the board of directors and managing director are satisfied and it is not objectively demonstrated that the board or managing director may pose a threat to the effective, sound and prudent management of the regulated market taking into account the integrity of the market.
4. That the other conditions of this Chapter are met.

For the purposes of assessing an application for authorisation, the Financial Supervisory Authority shall consider the managing director or board member of an active market operator to meet the requirements of the first paragraph of Article 79.

The market operator is responsible for ensuring that the conditions of the second paragraph for authorisation are always fulfilled and must notify the Financial Supervisory Authority, in advance if applicable, of any changes to the previously provided information in relation to the authorisation.

Where changes to the articles of association of a market operator are adopted at a general meeting of shareholders, the amended articles of association shall be submitted to the Financial Supervisory Authority within 10 days of the general meeting including an explanatory report on the changes made. Only market operators may, either alone or in the form of a compound word, use the terms "kauphöll" (stock exchange) and "verðbréfamarkaður" (securities market) in their firm's name or for clarification of their activities. When there is a risk of confusion regarding the names of foreign and domestic market operators operating in Iceland, the Financial Supervisory Authority may require companies to be identified specifically.

The Financial Supervisory Authority authorises market operators, subject to the conditions of Chapter I, Section 2, to operate MTFs and [OTFs].[1)]

1) *Act 50/2022, Art. 11.*

Art. 75

Application for authorisation

An application for authorisation to operate a regulated market must be made in writing and must contain sufficient information to assess whether the conditions laid down in Article 74 for the granting of authorisation are satisfied. The application shall be accompanied by:

1. The articles of association of the firm.
2. Information on the structural organisation including, among other things, how the proposed activity will be carried out and the rules on the trading and information systems to be used in the activity.
3. Information on the internal organisation of the firm, including rules on monitoring and procedures.
4. A programme of operations including the planned growth and capital structure.
5. Information on the founders and shareholders.
6. Information on board members, managing directors and other senior managers.
7. Confirmation by the auditor of the paid-up share capital or initial capital.
8. Information on the close relationships of the firm with natural or legal persons.
9. Information on the conditions of participation in the market and a programme of prospective market participants and the types of financial instruments that are scheduled to be traded.

Where the market operator and regulated market are different legal persons, this should be taken into account in the information accompanying the application for authorisation.

The Financial Supervisory Authority may request more information than provided for in the first paragraph, if necessary for assessing compliance with the requirements of Article 74 on the granting of authorisation.

The applicant must be notified in writing of the decision of the Financial Supervisory Authority on the authorisation as soon as possible and no later than 3 months after the Authority receives a satisfactory application. The refusal of the Financial Services Authority shall be justified.

The Financial Supervisory Authority shall publish notifications of authorisation for operating regulated markets in the Icelandic Legal Gazette. The Financial Supervisory Authority shall submit to ESMA and to the competent authorities of other EEA Member States a list of regulated markets authorised in Iceland. An updated list shall be submitted in the event of any changes.

Art. 76

Withdrawal of authorisation

The Financial Supervisory Authority may withdraw the authorisation to operate the business of a regulated market, in whole or in part:

1. Where the firm itself makes the request.

2. Where the firm has obtained the authorisation through false statements or any other irregular means.
3. Where the firm does not satisfy the requirements of this Section.
4. Where the firm does not make use of the authorisation within 12 months of receiving it or ceases to operate a regulated market for more than 6 consecutive months.
5. Where the firm, in other ways, seriously or repeatedly infringes this Act or the regulations under Article 3, or rules or regulations adopted pursuant to this Act.
6. Where the firm infringes other acts that provide for withdrawal of authorisation.

Withdrawal of authorisation must be notified to the board of directors of the market operator and justified in writing. A notice of withdrawal must be published in the Icelandic Legal Gazette and advertised in the press.

The Financial Supervisory Authority shall notify ESMA of the withdrawal of authorisation.

Art. 77

Share capital

The paid-up capital of a regulated market shall amount to a minimum of the equivalent of EUR 730 000, based on the official exchange rate listed at any given time.

The Financial Supervisory Authority may, notwithstanding the provisions of the first paragraph, determine a higher minimum capital for a regulated market taking into account the scale of the business and the risk factors associated with it and taking into account the requirements of Article 78.

The book value of the own funds of a regulated market may at no time be less than the amount specified in the first paragraph or determined in accordance with the second paragraph.

Art. 78

Organisational requirements

A regulated market shall:

1. Have arrangements to identify clearly and manage the potential adverse consequences, for the operation of the regulated market or for its members or participants, of any conflict of interest between the interest of the regulated market, its owners or its market operator on the one hand and the sound functioning of the regulated market on the other hand. This applies in particular where such conflicts of interest might prove prejudicial to the accomplishment of any functions delegated to the regulated market by the Financial Supervisory Authority.
2. Be adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation, and to put in place effective measures to mitigate those risks.
3. Ensure the sound operations of technical systems, including the establishment of effective contingency arrangements to cope with risks of systems disruptions.
4. Have transparent and non-discretionary rules and procedures that provide for fair and orderly trading on the market and establish objective criteria for the efficient execution of orders.
5. Have arrangements to facilitate the efficient and timely settlement of transactions on the market.
6. Always have available sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the market as well as the risks associated with them.

Market operators may not execute client orders against proprietary capital, or to engage in matched principal trading on a regulated markets they operate.

Art. 79

Board of directors and managing director of a market operator

The board members and managing directors of market operators shall be financially independent, have legal maturity and good repute and possess sufficient knowledge, skills and experience to

perform their duties properly. The collective experience of the board of directors should be sufficiently broad.

The board members and the managing director may not have been declared bankrupt in the previous five years. They may not, with regards to business activities and within the last ten years, have been convicted for any criminal act under the General Penal Code, the Competition Act, the Act on Public Limited Companies, the Act on Private Limited Companies, the Accounting Act, the Act on Bankruptcy, etc., the Act on the Withholding of Public Levies at Source, the Foreign Exchange Act or special acts of law applicable to persons subject to official supervision of financial activities.

The board of directors of the market operator shall be composed in such a manner as to possess adequate collective knowledge, skills and experience to be able to understand the market operator's activities, including the main risks.

The market operator shall adopt a policy for the selection of board members with a view to ensuring sufficient diversity on the board.

The market operator shall devote adequate financial resources to introduce the activities of the market operator to the board member and ensure that the board member receives appropriate training to sit on the board.

A market operator must notify the Financial Supervisory Authority of the composition of and subsequent changes to the board of directors and managing director and such notifications must be accompanied by adequate information to enable an assessment as to whether the requirements of this Article and Article 81 are satisfied.

The Central Bank of Iceland adopts detailed rules on the suitability of board members and managing directors, including what constitutes sufficient knowledge and experience, good reputation and financial autonomy, and on how to assess suitability.

Art. 80

The function of the board of directors of a market operator

Board members and managing directors shall act with honesty, integrity, professionalism and independence of mind to effectively assess, challenge and monitor the decision-making of the managing director and other senior managers who report directly to the managing director.

The board of directors of a market operator shall define and oversee the implementation of the governance arrangements that ensure effective and prudent management of the firm, including the segregation of duties and the prevention of conflicts of interest in a manner that promotes the integrity of the market.

The board of directors shall monitor and periodically assesses the effectiveness of the market operator's governance arrangements and internal organisation and take appropriate steps to address any deficiencies.

Board members shall have adequate access to the necessary information and documents to oversee the decision-making of the managing director and other senior managers who report directly to the managing director.

Art. 81

Restrictions on other functions of board members and managing directors of a market operator

Board members shall commit sufficient time to perform their functions in the interests of the activities of the market operator. The number of boards a board member may serve on at the same time as being on the board of directors of the market operator shall take into account individual circumstances and the nature, scale and complexity of the market operator's activities.

Board members and managing directors of market operators that are significant in terms of their size, internal organisation and the nature, the scope and the complexity of their activities shall not hold positions within the management body of other undertakings at the same time as serving on its board unless the total number of the undertakings, including the market operator, is within the following limits:

1. four undertakings if the function is only serving on boards of directors; or
2. two undertakings where the person in question serves on the board of directors and one where the person in question serves as managing director.

For the purpose of defining the number of undertakings according to the second paragraph, all:

1. seats on the boards of undertakings that are a part of a group shall be considered to be sitting on the board of directors of a single undertaking;
2. seats on the boards of directors of undertakings in which the market operator has a qualifying holding shall be considered to be sitting on the board of a single undertaking;
3. positions as managing director of undertakings that are part of the same group shall be considered as holding the position of managing director of a single undertaking;
4. positions as managing director of undertakings in which the market operator has a qualifying holding shall be considered as holding the position of managing director of a single undertaking.

The limitations specified in the second paragraph do not apply to positions within the management body of undertakings that do not predominantly pursue commercial objectives and not to natural persons appointed as managing director or to the board of directors of a market operator on behalf of the central government on the basis of law due to special circumstances in the activities of the market operator in question.

The Financial Supervisory Authority may, taking into account the scope and nature of the duties performed by the managing director or board member or due to special circumstances, grant an exception from the limitations set out in the second paragraph and allow sitting on the board of one additional undertaking. The Financial Supervisory Authority shall regularly inform ESMA of such exceptions.

Art. 82

Requirements concerning qualifying holdings in market operators

A person intending to have a qualifying holding in the operator of a regulated market shall seek the approval of the Financial Supervisory Authority. Articles 11 to 18 apply to the process.

The Financial Supervisory Board shall refuse a person to have a qualifying holding in the operator of a regulated market if it considers that the holding constitutes a threat to the sound and prudent management of the regulated market.

Market operators shall provide the Financial Supervisory Authority with information on the ownership in the operator and any changes thereto. The operator shall also publish this information on its website.

Art. 83

Systems resilience and circuit breakers

A regulated market shall have in place effective systems, procedures and arrangements to ensure its trading systems are resilient, have sufficient capacity to deal with peak order and message volumes, are able to ensure orderly trading under conditions of severe market stress and are fully tested to ensure such conditions are met. A regulated market shall make arrangements to ensure business continuity and continuity of its services if there is any failure of its trading systems.

A regulated market shall have in place effective systems, procedures and arrangements to reject orders that exceed pre-determined volume and price thresholds or are clearly erroneous.

A regulated market shall be able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on that market or a related market during a short period and, in exceptional cases, be able to cancel, vary or correct any transaction. A regulated market shall ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity of different asset classes and sub-classes, the nature of the market model and types of users and is sufficient to avoid significant disruptions to the orderliness of trading.

A regulated market shall report to the Financial Supervisory Authority the parameters for halting trading and any changes to those parameters in a consistent and comparable manner. The Financial Supervisory Authority shall forward the report to ESMA. A regulated market which is material in terms of liquidity for a financial instrument shall have the necessary systems and procedures in place to ensure that the Financial Supervisory Authority is notified if trading is halted so that the Authority can determine whether it is appropriate to halt trading wherever the financial instrument is traded until trading resumes on the original market.

The Central Bank of Iceland shall adopt rules[1)] on the implementation of this Article.

1) *Regulation 854/2022. Regulation 852/2022.*

Art. 84

Market making

A regulated market make written agreements with all investment firms pursuing a market making strategy on the regulated market and, where such a requirement is appropriate to the nature and scale of the trading on that regulated market, a scheme to ensure that a sufficient number of investment firms participate in such agreements which require them to post firm quotes at competitive prices with the result of providing liquidity on a regular and predictable basis.

An agreement in accordance with the first paragraph must specify, as a minimum:

1. The obligations of the investment firm in the provision of liquidity on the market and, where applicable, any other obligation arising from participation in the scheme referred to in the first paragraph.
2. Any incentives, including in terms of rebates or otherwise offered by the regulated market to an investment firm, in order to provide liquidity to the market on a regular and predictable basis and, where applicable, any other rights accruing to the investment firm as a result of participation in the scheme referred to in the first paragraph.

The regulated market shall monitor and enforce compliance by investment firms with the obligations of such agreements and provide the Financial Supervisory Authority with information on their content and all further information necessary to enable the Authority to satisfy itself of compliance by the regulated market with the obligations under this Article.

The Central Bank of Iceland shall adopt rules[1)] on the implementation of this Article.

1) *Regulation 854/2022.*

Art. 85

Algorithmic trading

A regulated market shall have in place effective systems, procedures and arrangements, including requiring members or participants to carry out appropriate testing of algorithms and providing environments to facilitate such testing. This is intended to ensure that algorithmic trading systems cannot create or contribute to disorderly trading conditions and enabling the regulated market to respond to such interruptions arising from algorithmic trading systems. The system shall, among other things, be able to limit the ratio of unexecuted orders to transactions that may be entered into the system by a member or participant, slow down the flow of orders if there is a risk of its system capacity being reached and limit and enforce the minimum tick size that may be executed on the market.

A regulated market shall be able to identify, by means of flagging from members or participants, orders generated by algorithmic trading, what algorithm is used for the creation of orders and the relevant persons initiating those orders. This information shall be available to the Financial Supervisory Authority upon request.

The Central Bank of Iceland shall adopt detailed rules[1)] on algorithmic trading, including on testing.

1) *Regulation 854/2022. Regulation 852/2022.*

Art. 86

Direct electronic access

A regulated market that permits direct electronic access shall have in place effective systems procedures and arrangements to ensure that only investment firms and credit institutions can offer such services and that appropriate criteria are set and applied regarding the suitability of persons to whom such access may be provided. Members and participants retain responsibility for orders and trades executed using such access.

The regulated market shall set have in place appropriate risk controls and thresholds on trading through such direct electronic access. The regulated market shall also be able to distinguish which orders or trading by a person are made or executed using such access and have the ability to stop such offers and transactions.

The regulated market shall have arrangements in place to suspend or terminate the making of orders and execution of trades through direct electronic access in the case of non-compliance with the rules or thresholds established on the basis of this provision.

The Central Bank of Iceland shall adopt rules[1)] on the implementation of this provision.

1) *Regulation 852/2022.*

Art. 87

Fee structures

A regulated market shall ensure that its fee structures including execution fees, ancillary fees and any rebates are transparent, fair and non-discriminatory and that they do not create incentives to place, modify or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse.

A regulated market shall impose market making obligations in individual shares or a basket of shares in exchange for any rebates that are granted.

A regulated market may adjust its fees for cancelled orders according to the length of time for which the order was maintained and to calibrate the fees to each financial instrument to which they apply.

A regulated market may impose a higher fee in order to reflect the additional burden on system capacity:

1. for cancelled orders;
2. on participants placing a high ratio of cancelled orders; and
3. on those engaged in high-frequency trading.

The Central Bank of Iceland shall adopt detailed rules[1)] on fee structures.

1) *Regulation 852/2022.*

Art. 88

Access to the order book by the Financial Supervisory Authority

Upon request by the Financial Supervisory Authority, a regulated market shall provide it with data relating to the order book, or give access to the order book, so that the Authority is able to monitor trading.

Art. 89

Rules on co-location services

The rules of a regulated market on co-location services shall be transparent, fair and non-discriminatory.

The Central Bank of Iceland shall adopt detailed rules[1)] on co-location services.

1) *Regulation 852/2022.*

Art. 90

Tick sizes

Regulated markets shall adopt tick size regimes in shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments. The tick size regimes shall be calibrated:

1. to reflect the liquidity profile of the financial instrument in different markets and the average bid-ask spread, taking into account the stability of prices without unduly constraining further narrowing of spreads; and
2. appropriately for each financial instrument.

The Central Bank of Iceland shall adopt rules[1)] on the minimum tick size or tick size regime for financial instruments pursuant to the first paragraph.

The Central Bank of Iceland may stipulate in rules that a regulated market shall adopt a tick size regime for financial instruments other than those referred to in the first paragraph.

1) *Regulation 852/2022.*

Art. 91

Synchronisation of business clocks

Trading venues and their members or participants shall synchronise the business clocks they use to record the date and time of each reportable event.

The Central Bank of Iceland shall adopt detailed rules[1)] on the synchronisation of business clocks.

1) *Regulation 852/2022.*

Art. 92

Admission of financial instruments to trading

Regulated markets shall have clear and transparent rules regarding the admission of financial instruments to trading. Those rules shall ensure that trading can take place in a fair, orderly and efficient manner. In the case of securities, the rules shall ensure that they are freely transferable.

In the case of derivative contracts, the rules referred to in the first paragraph shall, in particular, ensure that their design allows for orderly pricing as well as for the existence of effective settlement conditions.

The regulated market shall maintain effective arrangements to verify that issuers of financial instruments that have been admitted to trading on the market comply with disclosure obligations. The regulated market shall also establish arrangements which facilitate its participants in obtaining access to information which has been made public by issuers. The regulated market shall establish arrangements to review regularly the compliance with the admission requirements of the financial instruments which it admits to trading.

A security that has been admitted to trading on a regulated market may be admitted to trading on other regulated markets within the EEA, even without the consent of the issuer. The regulated market shall inform the issuer of the fact that its securities are traded on that regulated market. An issuer of securities that has not given consent for their admission to trading is not subject to any obligation to provide information to that market.

The Central Bank of Iceland further regulates the admission of financial instruments to trading.

Art. 93

Suspension and removal of financial instruments from trading

A market operator may suspend or remove from trading a financial instrument which no longer complies with the requirements for admission to trading or if the issuer of the security does not comply with the rules of the regulated market, unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

A market operator that suspends or removes from trading a financial instrument shall make the same arrangements for derivatives that relate or are referenced to that financial instrument where necessary to support the objectives of the decision.

The market operator shall immediately make public its decision on suspension or removal from trading and notify the Financial Supervisory Authority thereof without delay.

The Financial Supervisory Authority shall require that other regulated markets, MTFs, OTFs and systematic internalisers in Iceland also suspend or remove financial instruments, as referred to in the first paragraph, or derivatives, as referred to in the second paragraph, from trading, where the decision is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of MAR, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market.

Where the Financial Supervisory Authority requires suspension or removal from trading, it shall immediately publish that decision on its website. ESMA and other competent authorities shall also be notified without delay. The same applies if the Financial Supervisory Authority decides not to suspend or remove from trading, in which case the notification shall including an explanation of the reasons.

Where the Financial Supervisory Authority receives notification from the competent authority of another Member State pursuant to the fifth paragraph, it shall require, without delay, that trading venues and systematic internalisers in Iceland also suspend or remove financial instruments, as referred to in the first paragraph, or derivatives, as referred to in the second paragraph, from trading, where the suspension or removal from trading is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of MAR, except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market.

Where the Financial Supervisory Authority decides to suspend or remove from trading a financial instrument or derivatives as referred to in points (10) and (11) of Article 119, it shall comply with the provisions of the fourth to the sixth paragraphs.

The fourth to the sixth paragraphs also apply to lifting the suspension of trading in financial instruments or derivatives.

The Central Bank of Iceland further regulates[1)] the suspension and removal of financial instruments from trading.

1) *Regulation 854/2022.*

Art. 94

Market participation

A regulated market shall establish rules governing access to it and setting out the obligations members and participants are subject to. The rules shall be transparent, objective and non-discriminatory. They should presume the possibility of both direct and remote access by investment firms and credit institutions.

The rules shall specify any obligations arising from:

1. The constitution and administration of the regulated market.
2. Rules relating to transactions on the market.
3. Professional standards imposed on the staff of the investment firms or credit institutions that are operating on the market.
4. The conditions established, for members or market participants other than investment firms and credit institutions, under paragraph 3.
5. The rules and procedures for the clearing and settlement of transactions concluded on the market.

Regulated markets may admit as members or participants investment firms, credit institutions and other persons who:

1. Are of sufficient good repute.
2. Have a sufficient level of trading ability.
3. Have sufficient competence and experience.
4. Conform to organisational arrangements, where applicable.
5. Are able to implement the actions they are intended to implement, taking into account the different financial arrangements that the market may have established in order to guarantee the adequate settlement of transactions.

Members and participants are not obliged to comply with the provisions of Articles 33 to 41, 44 to 46, 48 and 49 in transactions between themselves on a regulated market but they must always do so when executing orders on behalf of clients.

A regulated market shall immediately inform the Financial Supervisory Authority when an application for membership or access to the market is accepted and, in addition, it shall inform the Financial Supervisory Authority on a quarterly basis of who the members and participants are.

Art. 95

Activities within the EEA

A regulated market in another Member State may provide appropriate arrangements in Iceland so as to facilitate access to and trading on the market by remote members or participants established in Iceland.

A regulated market in Iceland that intends to provide appropriate arrangements in another Member State so as to facilitate access to and trading on the market by remote members or participants established there shall notify the Financial Supervisory Authority in advance and specify the Member State in which such arrangements are intended. The Financial Supervisory Authority shall forward the information within 1 month to the competent authority of the Member State concerned.

The Financial Supervisory Authority shall, at the request of the competent authorities of a Member State and without delay, forward information on the members and participants of a regulated market in Iceland from that Member State.

Art. 96

Monitoring of trading by a regulated market

A regulated market shall have in place effective arrangements and procedures including the necessary resource for the regular monitoring of the compliance by its members or participants with its rules.

Regulated markets shall monitor orders sent, including cancellations and the transactions undertaken by their members or participants, in order to identify infringements of their rules, disorderly trading conditions or conduct that may indicate behaviour that is prohibited under MAR or system disruptions.

Market operators shall immediately notify the Financial Supervisory Authority of significant infringements of their rules or disorderly trading conditions or conduct that may indicate behaviour that is prohibited under MAR or system disruptions.

The Financial Supervisory Authority shall provide ESMA and the competent authorities of other Member States with the information referred to in the second paragraph. Such information in relation to conduct that may indicate behaviour that is prohibited under MAR shall only be forwarded if the Financial Supervisory Authority is convinced that the prohibited behaviour has taken place.

The market operator shall provide the Financial Supervisory Authority and the police, without undue delay, with the relevant information for the investigation of market abuse and shall provide them with full assistance in the investigation and prosecution of market abuse occurring on the regulated market or through its trading system.

Article 82 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details for the monitoring of trading by a regulated market.

Art. 97

Access to CCPs, clearing and settlement

Regulated markets may enter into appropriate arrangements with a CCP or clearing house and a settlement system of another Member State with a view to providing for the clearing or settlement of some or all trades concluded by the members or participants under their systems.

The Financial Supervisory Authority may only limit the use of regulated markets of CCPs, clearing houses and settlement systems in another Member State where demonstrably necessary in order to maintain the orderly functioning of that MTF and taking into account the conditions for settlement systems established in the second paragraph of Article 66.

SECTION 4

Position limits in commodity derivatives, risk management and reporting

Art. 98

Determination of limits

The Financial Supervisory Authority shall determine quantitative limits on the size of a net position which a person, on its own or at a group level, may hold at all times in each and every [agricultural commodity derivative and critical or significant commodity derivative][1)] admitted to trading on a trading venue, including economically equivalent OTC contracts. [Commodity derivatives are considered critical or significant where the sum of all net positions of beneficial owners constitutes the size of their open interest and is at a minimum of 300,000 lots on average over a one-year period.][1)] The limits are, on the one hand, intended to prevent market abuse and, on the other hand, intended to support orderly pricing and settlement conditions, including preventing market distorting positions, and ensuring convergence between prices of derivatives in the delivery month and spot prices for the underlying commodity, without prejudice to price discovery on the market for the underlying commodity.

[Position limits shall not apply to:

1. derivative contracts of non-financial entities provided that they can be objectively demonstrated to reduce the risks directly related to their activities;
2. derivative contracts of financial entities that are part of a predominantly commercial group and concluded on behalf of a non-financial entity that is part of the same group, provided that they can be objectively demonstrated to reduce the risks directly related to their activities;
3. derivative contracts of financial and non-financial counterparties, provided that they can be objectively demonstrated to be due to the obligation to provide liquidity in the trading of commodity derivatives or emission allowances;
4. securities relating to commodities or derivatives as specified in point (2)(g) of the first paragraph of Article 4 where commodities are the underlying benchmark.][1)]

The Financial Supervisory Authority shall review position limits when there is a material change in the deliverable supply or open positions or when any other material change occurs in the market.

The Financial Supervisory Authority shall notify ESMA of the proposed position limits. Where ESMA finds in its opinion that the limit should be different, the Financial Supervisory Authority shall either modify the limit in accordance with the opinion or justify its decision not to comply with the opinion. Where the Financial Supervisory Authority imposes position limits contrary to an ESMA opinion, it shall immediately publish on its website a notice explaining the reasons for its decision.

Position limits shall be transparent and non-discriminatory. It should be specified how the limits apply to persons taking account of the nature and composition of market participants and the purpose of the trading.

[The Central Bank of Iceland shall adopt detailed rules[2)] for implementing this Article, including how to calculate position limits, exemptions from those limits and critical or significant commodity derivatives.][1)]

1) *Act 50/2022, Art. 12.* 2) *Regulation 850/2022.*

Art. 99

Limit when trading a commodity derivative in more than one State

Where [agricultural commodity derivatives based on the same commodity and having the same characteristics or critical or significant commodity derivatives based on the same commodity and having the same characteristics are][1)] traded on a trading venue and in significant volumes on trading venues in more than one Member State, but the largest volume of trading takes place on a trading venue in Iceland, the Financial Supervisory Authority shall set the position limits specified in Article 98. The Financial Supervisory Authority shall consult the relevant competent authorities on the determination of the limit and revisions to it.

Where a commodity derivative is traded on a trading venue and is traded in significant volumes on trading venues in more than one Member State, but the largest volume of trading takes place on a trading venue in another Member State, the Financial Supervisory Authority shall enforce the position limit determined by the competent authority of that Member State. The Financial Supervisory Authority shall, if it considers that the limit is not consistent with the requirements of the first paragraph of Article 98, submit a written notice substantiating that position to the EFTA Surveillance Authority (ESA).

Article 19 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision, applies to the resolution of disputes under the first and second paragraphs between the Financial Supervisory Authority and other competent authorities within the EEA.

Where the same [agricultural commodity derivative or the same critical or significant commodity derivative][1)] is traded both on a trading venue in Iceland and in another Member State, the Financial Supervisory Authority shall, in order to enable the monitoring and enforcement of position limits, establish a cooperation and information exchange agreement with the competent authorities:

1. of the trading venues where the commodity derivative is traded; and
2. of investors who hold positions in them.

The Central Bank of Iceland shall adopt detailed rules[2)] on the implementation of this Article.

1) *Act 50/2022, Art. 13.* 2) *Regulation 850/2022.*

Art. 100

Risk management for position limits

Investment firms and market operators operating trading venues which trade commodity derivatives shall establish risk management for the position limits specified in Article 95 which, at a minimum, enables them to:

1. monitor the open interest positions of persons;
2. access information, including all relevant documentation, from persons about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any form of partnership, and any related assets or liabilities in the underlying market, [and also, where applicable, access information on positions in commodity derivatives based on the same underlying commodity and having the same characteristics in other trading venues and/or in economically equivalent OTC contracts];[1)]
3. require a person to close or reduce a position, on a temporary or permanent basis depending on the situation, and to take unilateral …[1)] steps to ensure the termination or reduction in the position if the person does not comply with that requirement; and
4. require …[1)] a person to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.

Risk management shall be transparent and non-discriminatory. It should be specified how it applies to persons taking account of the nature and composition of market participants and the purpose of the trading.

The investment firm or market operator operating the trading venue shall inform the Financial Supervisory Authority of how the monitoring specified in the first paragraph is carried out. The Financial Supervisory Authority shall communicate the same information as well as the details of the position limits it has established to ESMA.

The Central Bank of Iceland shall adopt detailed rules[2)] on the implementation of the Article.

1) *Act 50/2022, Art. 14.* 2) *Regulation 850/2022.*

Art. 101

More restrictive position limits in exceptional circumstances

In exceptional cases, the Financial Supervisory Authority may impose limits on commodity derivatives which are more restrictive than specified in Article 98. The decision of the Financial Supervisory Authority shall be objectively justified and proportionate taking into account the liquidity and orderly functioning of the market. The Financial Supervisory Authority shall publish on its website the details of the more restrictive limits. Such decisions shall not be valid for more than 6 months from the date of their publication. The Financial Supervisory Authority may renew the validity of its decision for up to 6 months at a time if the grounds for the decision continue to be applicable. It shall automatically expire if not renewed after that 6-month period.

The Financial Supervisory Authority shall submit justification for its decision to ESMA. If ESMA finds in its opinion that the limit is unnecessary or should be different, the Financial Supervisory Authority shall either abide by its findings or substantiate its position not to do so. Where the Financial Supervisory Authority determines position limits contrary to an ESMA opinion, it shall immediately publish on its website a notice explaining the reasons for its decision.

Art. 102

Position reporting by categories of position holders

Investment firms and market operators operating a trading venue which trades commodity derivatives or emission allowances or derivatives thereof shall:

1. make public a weekly report with the aggregate positions held by the different categories of persons in commodity derivatives or emission allowances or derivatives thereof traded on their trading venue, specifying the number of long and short positions, changes thereto since the previous report, the percentage of the total open interest represented by each category and the number of persons holding a position in each category in accordance with [the fifth paragraph];[1)]
2. forward the report to the Financial Supervisory Authority and ESMA; and
3. provide the Financial Supervisory Authority with a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on that trading venue, at least on a daily basis.

Points (1) and (2) of the first paragraph shall apply solely where both the number of persons and their open positions meet the minimum thresholds pursuant to Article 83 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3.

[The first paragraph does not apply to securities relating to commodities and derivatives as specified in point (2)(g) of the first paragraph of Article 4 where commodities are the underlying benchmark.][1)]

The report referred to in point (1) of the first paragraph and the breakdowns referred to in point (3) of the same paragraph shall distinguish between, on the one hand, positions that can be objectively demonstrated to reduce the risks directly related to the commercial activity and, on the other hand, other positions.

Members and participants of regulated markets, MTFs and clients of OTFs shall provide the investment firm or market operator operating that trading venue the details of their own positions held through contracts traded on that trading venue at least on a daily basis, as well as the positions of their clients and the clients of those clients until the end client is reached.

Investment firms and market operators operating a trading venue shall categorise persons holding positions in commodity derivatives or emission allowances, or derivatives thereof, according to the nature of their main business and, if applicable, any authorisation as:

1. an investment firm or credit institution;
2. an undertaking for collective investments in transferable securities (UCITS) as defined in the Act on Undertakings for Collective Investment in Transferable Securities or an alternative investment fund as defined in the Act on Alternative Investment Fund Managers;
3. a financial undertaking, including insurance undertakings and reinsurance undertakings;
4. an operator as defined in the Act on Climate Change, in the case of emission allowances or derivatives thereof; or
5. other commercial activities.

Article 83 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provides details on position reporting by categories of position holders.

The Central Bank of Iceland shall adopt detailed rules[2)] on the implementation of the Article.

1) *Act 50/2022, Art. 15.* 2) *Regulation 850/2022.*

Art. 103

Position reporting for trading outside a trading venue

Investment firms trading in commodity derivatives or emission allowances, or derivatives thereof, outside a trading venue shall, at least on a daily basis, provide the following competent authorities with a complete breakdown of their positions taken in the above mentioned financial instruments which have been admitted to trading on a trading venue and economically equivalent OTC contracts, as well as the position of their clients and the clients of those clients until the end client is reached:

1. the competent authority of the trading venue where they have been admitted to trading; or
2. the competent authority where the largest volume is traded, if they are traded in significant volumes on trading venues in more than one State.

The Central Bank of Iceland shall adopt detailed rules on position reporting for trading outside a trading venue.

SECTION 5

Data reporting services

Art. 104

Requirement for authorisation

The provision of data reporting services is subject to authorisation.

Persons may provide one or more types of data reporting services on a professional basis once they have obtained authorisation to do so from the Financial Supervisory Authority.

Investment firms and market operators operating a trading venue may operate data reporting services if the Financial Supervisory Authority has verified their compliance with this Section, in which case the permission to provide one or more types of data reporting services shall be specified in their authorisation.

The Financial Supervisory Authority shall maintain an up-to-date register of data reporting services providers, which shall be accessible to the public. The register shall contain information on the services for which the data reporting services providers are authorised. The Financial Supervisory Authority shall notify ESMA of any changes to the register.

Where the Financial Supervisory Authority has withdrawn an authorisation in accordance with the reasons specified in Article 107, that withdrawal shall be published on the register for the next 5 years.

The Financial Supervisory Authority shall, on a regular basis, verify the compliance of data reporting services providers with this Section, including with the conditions for granting the initial authorisation.

Art. 105

Scope of authorisation

The authorisation shall specify the services which the data reporting services provider is authorised to provide. A data reporting services provider that intends to expand its activity by offering data reporting services not covered by its authorisation shall apply to the Financial Supervisory Authority for an extension of its authorisation.

A data reporting services provider authorised by the competent authorities of a Member State, with the exception of the Faroe Islands and Switzerland, may provide the data reporting services covered by the authorisation in Iceland.

Art. 106

Application for authorisation

The Financial Supervisory Authority grants authorisation for providing data reporting services when the applicant has complied with the requirements of this Act.

An application for authorisation shall be made in writing. The application must contain all necessary information to enable the Financial Supervisory Authority to satisfy itself that the data reporting services provider complies with this Section, including a programme of operations specifying, among other things, the activities and organisational structure envisaged.

The Financial Supervisory Authority shall notify the applicant in writing of its decision in respect of an application for authorisation as soon as possible and no later than 6 months after receipt of a satisfactory application.

The Central Bank of Iceland regulates the form of applications for authorisation as a data reporting services provider and the information to be included in it.

Art. 107

Withdrawal of authorisation

The Financial Supervisory Authority may withdraw an authorisation issued to a data reporting services provider in full or in part:

1. Where the firm itself makes the request.
2. Where the firm has obtained the authorisation through false statements or any other irregular means.
3. Where the firm does not make use of the authorisation within 12 months of receiving it or ceases to provide data reporting services for more than 6 consecutive months.
4. Where the firm no longer meets the conditions under which authorisation was granted.
5. Where the firm, in other ways, seriously or repeatedly infringes this Act or the regulations under Article 3, or rules or regulations adopted pursuant to this Act.

Art. 108

Board of directors and managing director of a data reporting services provider

The board members and managing directors of data reporting services providers shall be financially independent, have legal maturity and good repute and possess sufficient knowledge, skills and experience to perform their duties properly.

The board members and the managing director of data reporting services providers may not have been declared bankrupt in the previous five years. They may not, with regards to business activities and within the last ten years, have been convicted for any criminal act under the General Penal Code, the Competition Act, the Act on Public Limited Companies, the Act on Private Limited Companies, the Accounting Act, the Act on Bankruptcy, etc., the Act on the Withholding of Public Levies at Source, the Foreign Exchange Act or special acts of law applicable to persons subject to official supervision of financial activities.

The board of directors of a data reporting services provider shall be composed in such a manner as to possess adequate collective knowledge, skills and experience to be able to understand the data reporting services provider's activities.

Board members shall act with honesty, integrity and professionalism and have sufficient independence of mind to effectively assess, challenge and monitor the decision-making of the managing director and other senior managers who report to the managing director.

Where a market operator applies for authorisation as a data reporting services provider and a board member is already on the board of a regulated market, that board member shall be deemed to satisfy the requirements of the second paragraph.

The board of directors of a data reporting services provider shall define and oversee the implementation of the governance arrangements that ensure effective and prudent management of the undertaking, including the segregation of duties and the prevention of conflicts of interest in a manner that promotes the integrity of the market and the interests of its clients.

The Financial Supervisory Authority shall refuse authorisation if it is not established that the board of directors or managing director of the data reporting services provider are of sufficiently good repute or if they may pose a threat to its sound and prudent management and to the adequate consideration of the integrity of the market and the interest of its clients.

A data reporting services provider shall notify the Financial Supervisory Authority of the members of its board of directors and the managing director and subsequent changes thereto. The notification shall be accompanied by sufficient information to assess whether the conditions of this Article are met.

The Central Bank of Iceland adopts detailed rules[1)] on the suitability of board members and managing directors, including what constitutes sufficient knowledge and experience, good reputation and financial autonomy, and on how to assess suitability.

1) *Regulation 236/2022.*

Art. 109

Organisational requirements for APAs

APAs shall have adequate policies and arrangements in place to make public the information required under Articles 20 and 21 of MiFIR as close to real time as is technically possible and on a reasonable commercial basis. The information shall be made available free of charge 15 minutes after the APA has published it. The APA shall be able to efficiently and consistently disseminate information in a way that ensures fast access to the information, on a non-discriminatory basis and in a format that facilitates the consolidation of the information with similar data from other sources.

Information made public by an APA in accordance with the first paragraph shall, at a minimum, include:

1. the identifier of the financial instrument;
2. the price at which the transaction was concluded;
3. the volume of the transaction;
4. the time of the transaction;
5. the time the transaction was reported;
6. the price notation of the transaction;
7. the code for the trading venue the transaction was executed on, the code 'SI' where the transaction was executed via a systematic internaliser or, otherwise, the code 'OTC'; and
8. an indicator that the transaction was subject to specific conditions, if applicable.

The APA shall have in place administrative arrangements designed to prevent conflicts of interest between the APA and its clients. An APA who is also a market operator or investment firm shall treat all information in a non-discriminatory fashion and shall have effective arrangements to separate its different business functions.

The APA shall have security mechanisms in place designed to guarantee the security and reliability of the means of transfer of information, minimise the risk of data corruption and

unauthorised access and to prevent information leakage before publication. The APA shall maintain adequate resources and have back-up facilities in place in order to prevent disruptions of services.

The APA shall have systems in place that can effectively check trade reports for completeness and identify omissions and obvious errors. It shall be able to request corrections and re-transmission of any erroneous reports.

Articles 84 to 89 of Regulation (EU) 2017/565 provide details for the organisational requirements for APAs, including the obligation to make information available, cf. point (2) of the first paragraph of Article 3.

The Central Bank of Iceland shall adopt detailed rules[1)] on the implementation of this Article, including the form and content of notifications and organisational requirements.

[1)] *Regulation 236/2022.*

Art. 110

Organisational requirements for CTPs

CTPs shall have adequate policies and arrangements in place to collect the information made public in accordance with Articles 6 and 20 of MiFIR, consolidate it into a continuous electronic data stream and make the information public as close to real time as is technically possible, on a reasonable commercial basis.

That information shall, at a minimum, include:

1. the identifier of the financial instrument;
2. the price at which the transaction was concluded;
3. the volume of the transaction;
4. the time of the transaction;
5. the time the transaction was reported;
6. the price notation of the transaction;
7. the code for the trading venue the transaction was executed on, or the code ‘SI’ where the transaction was executed via a systematic internaliser or otherwise the code ‘OTC’;
8. if applicable, whether a computer algorithm within the investment firm was responsible for the investment decision and the execution of the transaction;
9. if applicable, an indicator that the transaction was subject to specific conditions; and
10. if applicable, which exemption under point (a) or (b) of Article 4(1) of MiFIR was exercised.

The information shall be made available free of charge 15 minutes after the CTP has published it. The CTP shall disseminate information efficiently and consistently and ensure fast access to the information, on a non-discriminatory basis and in formats that are easily accessible and utilisable for market participants.

CTPs shall have adequate policies and arrangements in place to collect the information made public in accordance with Articles 10 and 21 of MiFIR, consolidate it into a continuous electronic data stream and make the information public as close to real time as is technically possible, on a reasonable commercial basis.

That information shall, at a minimum, include:

1. the identifier or identifying features of the financial instrument;
2. the price at which the transaction was concluded;
3. the volume of the transaction;
4. the time of the transaction;
5. the time the transaction was reported;
6. the price notation of the transaction;
7. the code for the trading venue the transaction was executed on, or the code ‘SI’ where the transaction was executed via a systematic internaliser or otherwise the code ‘OTC’; and
8. an indicator that the transaction was subject to specific conditions, if applicable.

The information shall be made available free of charge 15 minutes after the CTP has published it. The CTP shall disseminate information efficiently and consistently and ensure fast access to the

information, on a non-discriminatory basis and in generally accepted formats that are interoperable and easily accessible and utilisable for market participants.

The CTP shall ensure that data has been collected from all trading venues and APAs and for the financial instruments specified by the rules adopted by the Central Bank of Iceland pursuant to the eleventh paragraph.

CTPs shall have in place arrangements designed to prevent conflicts of interest. Market operators and APAs, who also operate a consolidated tape, shall treat all information in a non-discriminatory fashion and shall have in place effective arrangements to separate different business functions.

The CTP shall have security mechanisms in place to guarantee the security and reliability of the means of transfer of information and to minimise the risk of unauthorised access and data corruption. The CTP shall maintain adequate resources and have back-up facilities in place in order to prevent disruptions of services.

Articles 84 to 89 of Regulation (EU) 2017/565, cf. point (2) of the first paragraph of Article 3, provide details on the obligation of CTPs to make information available.

The Central Bank of Iceland shall adopt detailed rules[1)] on the implementation of the provision, including organisational requirements, on which financial instruments CTPs are required to collect data and on the form and content of information.

[2)] *Regulation 236/2022.*

Art. 111

Organisational requirements for ARMs

ARMs shall have adequate policies and arrangements in place to submit the information required under Article 26 of MiFIR as quickly as possible, and no later than the close of the working day following the day upon which the transaction took place.

ARMs shall have in place administrative arrangements designed to prevent conflicts of interest with its clients. An ARM that is also a market operator or investment firm shall treat all information in a non-discriminatory fashion and shall have in place effective arrangements to separate different business functions.

The ARM shall have security mechanisms in place designed to guarantee the security and reliability of the means of transfer of information, minimise the risk of unauthorised access and data corruption and to prevent information leakage before publication, in addition to ensuring the security of the data. The ARM shall maintain adequate resources and have back-up facilities in place in order to prevent disruptions of services.

The ARM shall have systems in place that can effectively check transaction reports for completeness and identify omissions and obvious errors caused by the investment firm. In this case, the ARM may disclose information about errors or omissions to the investment firm and request that reports be corrected and re-transmitted.

The ARM shall have systems in place to enable it to detect errors or omissions caused by the ARM itself and to enable the ARM to correct and re-transmit, as applicable, correct and complete transaction reports to the Financial Supervisory Authority.

The Central Bank of Iceland shall adopt rules[1)] on the organisational requirements for ARMs.

[1)] *Regulation 236/2022.*

SECTION 6
Contractual settlement of derivatives

Art. 112

Netting

A written agreement, one or more, between two parties that their obligations under a derivative shall be netted against one another by netting, upon renewal or upon default, cessation of payments, compositions or declaration of bankruptcy, shall remain in full force notwithstanding the provisions of Articles 91 and 100 of Act No 21/1991 on Bankruptcy etc.

Art. 113

Collateral requirements

Collateral arrangements established to guarantee transactions in derivatives will not be terminated, irrespective of the provisions of Article 137 of Act No 21/1991 on Bankruptcy etc.

SECTION 7

Auditing

Art. 114

Auditing

The financial statements of market operators and data reporting services providers shall be audited by an auditor, or auditing firm, to be appointed by the annual general meeting of the firm. The auditor or auditing firm shall not perform any other function for the firm being audited. The financial year shall be the calendar year.

The Act on Financial Undertakings applies to the audit [and financial statements][1)] of investment firms.

The Central Bank of Iceland is entitled to regulate the annual accounts of market operators and data reporting services providers.

1) *Act 50/2022, Art. 16.*

Art. 115

Auditors' disclosure and reporting obligations

Auditors have a duty to provide the Financial Supervisory Authority with information on the implementation and results of audits under Article 114 upon request.

Auditors have a duty to immediately inform the Financial Supervisory Authority upon becoming aware, in performing tasks for operators of regulated markets or data reporting services providers or persons with close links with any of the preceding persons, of any fact or decision which:

1. constitutes a significant infringement of the legislation applicable to the firm and its activities;
2. is liable to affect the continuous functioning of the firm, including any facts which have a material significance to the financial position of the firm in question; or
3. may lead to the auditor refusing to certify the accounts or expressing reservations on the annual accounts of the firm.

The auditor shall alert the management of the undertaking of the notification specified in the second paragraph unless there is ample reason not to do so.

The disclosure of information by the auditor to the Financial Supervisory Authority pursuant to the provisions of this Article shall not constitute a breach of any legal or contractual non-disclosure obligations of the auditor.

Art. 116

Suitability of auditors

The auditor referred to in Article 114 may not be a member of the board of directors, be an employee of the firm in question or act in its interest other than as an auditor.

An auditor may not be indebted to the firm being audited, neither as principal debtor nor guarantor. The same applies to the auditor's spouse.

Art. 117

Special audit

The Financial Supervisory Authority may call for a special audit of a firm if the Authority has reason to believe that the audited financial statements do not provide a fair presentation of its financial position and operating results. The Financial Supervisory Authority may have the undertaking in question cover the costs of such an audit.

The first paragraph also applies to the subsidiaries of the firm.

Art. 118

Submission and publication of annual accounts

The audited and signed annual accounts of an undertaking together with the report of the board of directors must be submitted to the Financial Supervisory Authority within 10 days of the date of signature, and at the latest 3 months after the end of the financial year.

Where changes to signed annual accounts are adopted at an annual general meeting, the amended annual accounts shall be submitted to the Financial Supervisory Authority within 10 days of the annual general meeting including an explanation of the changes made.

The annual accounts of an undertaking together with the report of the board of directors shall be available at the point of service of the undertaking in question and handed over to any client or counterparty upon request and within 2 weeks of the approval of the annual general meeting.

SECTION 8

Supervision

Art. 119

General supervision and supervisory powers

The Financial Supervisory Authority and the EFTA Surveillance Authority are responsible for supervision under this Act in accordance with the EEA Agreement, cf. Act No 2/1993 and the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice. This Act, the Act on the Official Supervision of Financial Activities and the Act on the European System of Financial Supervision apply to the supervision.

The Financial Supervisory Authority shall supervise the activities covered by the scope of the Act, including the activities of Icelandic persons abroad, unless otherwise provided for by law or international agreements to which Iceland is a party. The Financial Supervisory Authority is also responsible for the supervision of subsidiaries, associated undertakings and funds engaged in such activities to the extent necessary for the purposes of supervision.

The processing and handling of personal data shall be in accordance with the Act on Data Protection and the Processing of Personal Data.

The Financial Supervisory Authority may take the following measures to ensure compliance with this Act:

1. Require access to, submission of or a copy of any type of information and documentation in such form as it deems necessary for the exercise of its supervision.
2. Require natural and legal persons to provide all information and documentation and, if required, call natural persons in for questioning for that purpose.
3. Conduct on-site inspections and investigations.
4. Require access to, or a copy of, existing recordings of telephone conversations, electronic communications and other information about data traffic in the custody of an investment firm, credit institution or other person covered by this Act.
5. Require the temporary or permanent cessation of activities or conduct.
6. Require information from the auditor of investment firms, regulated markets and data reporting services providers.
7. Have an auditor or competent expert carry out a verification or investigation of a specific aspect of the activity or business of a supervised entity or other specific ad-hoc supervision. The Financial Supervisory Authority may have the supervised entity cover this cost in accordance with the Act on the Payment of Costs for Public Supervision of Financial Activities and Resolution Authority. The Act on the Official Supervision of Financial Activities applies to the non-disclosure obligations of auditors and competent experts in performing the tasks mentioned above.

8. Require information and documentation from natural and legal persons on the size and purpose of a position or risk exposure relating to a commodity derivative, as well as information on the underlying assets and liabilities.
9. Take appropriate measures to ensure compliance with law by investment firms, regulated markets and other persons to which this Act applies.
10. Require the suspension of trading in a financial instrument.
11. Require the removal of a financial instrument from trading.
12. Require natural or legal persons to take steps to reduce the size of a position or exposure.
13. Limit the possibility for natural and legal persons to enter into a commodity derivative contract, including by imposing limits on the size of the position that a single person may hold at any given time, cf. article 98.
14. Prohibit or limit a certain type of financial activity or the execution, marketing, distribution or sale of financial instruments or structured deposits subject to the conditions of Article 42 of MiFIR.
15. Prohibit the marketing or sale of financial instruments or structured deposits when an investment firm has not established or used an effective product approval process or has otherwise failed to comply with the requirements set out in Article 22.
16. Require the managing director of an investment firm or market operator to be removed from office and/or an individual to be removed from the board of directors of an investment firm or market operator.

Where there is reasonable suspicion that this Act or regulations and rules established hereunder have been infringed, the Financial Supervisory Authority is empowered, subject to the provisions of the Code of Criminal Procedure, where applicable, to:

1. Require the freezing of assets or seizure of property.
2. Require access before the courts to existing data on telephone conversations or telecommunications to a particular telephone or telecommunications device held by telecommunications operators when such information may be relevant to the investigation of infringement of this Act. A telecommunications operator is obliged to provide the Financial Supervisory Authority with the information specified in the first sentence without the ruling of a judge if the consent of the holder and the actual user is obtained.

The third paragraph of Article 88 of the Code of Criminal Procedure, No 88/2008, governs the discharge of freezing orders. A freezing order is also discharged if the examination of the Financial Supervisory Authority is concluded without administrative sanctions being imposed or the case being reported to the police. At this point, the party the freezing order is made against may demand the withdrawal of the measures taken to secure the order. The freezing order will similarly be discharged if the accused person makes the payments the injunction was intended to guarantee.

Statutory provisions on non-disclosure obligations do not limit the duty to provide the Financial Supervisory Authority with information and access to data. However, this does not apply to information that attorneys acquire when examining the legal position of their clients in connection with judicial proceedings, including when giving advice on whether to instigate or avoid judicial proceedings, or information that the attorney acquires prior to, during or after the conclusion of judicial proceedings, if the information is directly related to the case.

Art. 120

Employee reports of infringement in activities

Investment firms, market operators, data reporting services providers, credit institutions in relation to investment services or activities and branches of third-country firms shall have in place procedures to receive and follow-up on reports from their employees of actual, potential and attempted infringements of this Act. The procedures shall be separated from other procedures within the undertaking.

Natural persons who receive reports under the first paragraph and who are in charge of processing them shall be independent in the performance of their tasks. These persons shall have sufficient power, funding and authority to gather the data and information necessary to enable them to carry out their duties.

The processing and handling of personal data shall be in accordance with the Act on Data Protection and the Processing of Personal Data.

The Central Bank of Iceland may adopt detailed rules on the implementation of the first and second paragraphs, including on the receipt and processing of notifications.

Art. 121

Protection of employees due to reporting of infringement in activities

Those who are tasked with receiving reports under Article 120 and who are responsible for their processing are subject to non-disclosure obligations concerning personally identifiable information contained in the reports. The non-disclosure obligation applies both in relation to other employees of the firm and to third parties. However, information that is subject to a non-disclosure obligation may be shared with the Financial Supervisory Authority and the police.

The firm shall protect employees who have in good faith made a report in accordance with Article 120 against discrimination resulting from making the report. The same applies to reports to the Financial Supervisory Authority under Article 13a of Act No 87/1998 on Official Supervision of Financial Activities.

If a firm breaches its obligation under the second paragraph, it shall indemnify the employee according to general rules, which cover both direct pecuniary damages and non-pecuniary damages.

The obligations and rights under this Article are non-derogable and may not be limited in the employment contract between the employee and the firm.

SECTION 9
Remedies, sanctions and public disclosure of findings

Art. 122

Remedial requirements for infringement

The Financial Supervisory Authority shall require remedial action within a reasonable time where the provisions of this Act are not complied with.

Art. 123

Prohibition on board membership

Where a natural person infringes the first or second paragraphs of Article 125, the Financial Supervisory Authority may prohibit the person, temporarily or permanently for repeated serious infringements, from serving on a board of directors or exercising management functions in investment firms.

Art. 124

Suspension on participation in a trading venue

Where an investment firm infringes the first or second paragraphs of Article 125, the Financial Supervisory Authority may temporarily prohibit the firm from being a member or participant in a regulated market or MTF or from being a client of an OTF.

Art. 125

Administrative fines

The Financial Supervisory Authority may impose administrative fines on any party infringing the following provisions of this Act or related regulatory acts:

1. Article 5 on authorisation for investment firms.

2. The second paragraph of Article 6 on applications for extended authorisation for investment firms.
3. Point (2) of the first paragraph of Article 8 on a firm that has obtained authorisation through false statements or any other irregular means.
4. Article 10 on the board of directors of and investment firm, cf. Article 25 of Regulation (EU) 2017/565, cf. Article 3.
5. Article 12 on a notification of a qualifying holding in an investment firm.
6. Article 21 on the organisational requirements of investment firms, cf. Articles 21 to 27, 29 to 34 and 38 to 43 of Regulation (EU) 2017/565, cf. Article 3.
7. Article 22 on product approval and distribution of financial instruments and structured deposits.
8. Article 23 on the recording and retention of data, cf. Articles 35, 72 and 74 to 76 of Regulation (EU) 2017/565, cf. Article 3.
9. Article 24 on the safeguarding of client assets.
10. Article 25 on the general requirements for algorithm trading.
11. Article 26 on market making using an algorithm.
12. Article 27 on direct electronic access.
13. Article 28 on trading on an MTF and an OTF.
14. Article 29 on specific requirements for MTFs.
15. Article 30 on specific requirements for OTFs.
16. Article 31 on regular reviews of conditions for authorisation.
17. Article 32 on conflicts of interest, cf. Articles 21, 27, 33, 34 and 38 to 43 of Regulation (EU) 2017/565, cf. Article 3.
18. Article 33 on the principles of business practices, cf. Articles 38 to 43, 58, 64, 65 and 67 to 69 of Regulation (EU) 2017/565, cf. Article 3.
19. Article 34 on reporting to clients, cf. Articles 36 to 53, 58, 61, and 65 of Regulation (EU) 2017/565, cf. Article 3.
20. Article 35 on independent investment advice, cf. Articles 38 to 43, 52 and 53 of Regulation (EU) 2017/565, cf. Article 3.
21. Article 36 on fees, commissions and other benefits.
22. Article 37 on the bonus systems and severance agreements of investment firms, cf. Article 27 of Regulation (EU) 2017/565, cf. Article 3.
23. Article 38 on packages.
24. Article 39 on the knowledge and competence of natural persons giving information on financial instruments and services.
25. Article 40 on securities licenses.
26. Article 42 on nominee registration.
27. Article 43 on the endorsement of transfer.
28. Article 44 on assessment of suitability, cf. Articles 54 and 55 of Regulation (EU) 2017/565, cf. Article 3.
29. Article 45 on the assessment of appropriateness and the provision of financial services without obtaining information or carrying out an assessment of appropriateness, cf. Articles 55 to 57 of Regulation (EU) 2017/565, cf. Article 3.
30. Article 46 on contracts and reporting to clients, cf. Articles 56, 59 to 63 and 73 of Regulation (EU) 2017/565, cf. Article 3.
31. Article 47 on provision of services through third parties.
32. Article 48 on most favourable execution, cf. Articles 64 to 66 of Regulation (EU) 2017/565, cf. Article 3.
33. Article 49 on client order handling, cf. Articles 67 to 70 of Regulation (EU) 2017/565, cf. Article 3.
34. Article 50 on tied agents.

35. Article 51 on client categorisation etc., cf. Article 45 of Regulation (EU) 2017/565, cf. Article 3.
36. Article 52 on higher level of protection for professional investors.
37. Article 54 on persons who may request to be professional investors.
38. Article 55 on transactions with eligible counterparties, cf. Article 71 of Regulation (EU) 2017/565, cf. Article 3.
39. Article 56 on trade monitoring, cf. Article 82 of Regulation (EU) 2017/565, cf. Article 3.
40. Article 57 on the suspension and removal of financial instruments from trading on an MTF or an OTF.
41. Article 58 on SME growth markets.
42. Article 59 on complaints and redress procedures.
43. Article 60 on the services and activities of investment firms, authorised in a Member State, in Iceland without the establishment of a branch.
44. Article 61 on the services and activities of investment firms, authorised in a Member State, with the establishment of a branch or through a tied agent.
45. Article 62 on the services and activities of investment firms, authorised in Iceland, in a Member State without the establishment of a branch.
46. Article 63 on the notification by Icelandic investment firms of the establishment of a branch and/or the use of a tied agent in another Member State.
47. The second paragraph of Article 64 notifications of arrangements in other Member States to facilitate access to and trading on those markets by remote users, members or participants established abroad.
48. Article 65 on the membership of investment firms in other Member States to regulated markets in Iceland.
49. Article 66 on access to a CCP and clearing and settlement facilities and the right to designate a settlement system.
50. Article 68 on the activities or services of investment firms established outside the EEA in Iceland with the establishment of a branch.
51. Article 73 on the acquisition by an Icelandic investment firm of shares in a financial undertaking in a non-member state.
52. Article 74 on authorisation for a regulated market.
53. Point (2) of the first paragraph of Article 76 on the withdrawal of authorisation for a regulated market.
54. Article 78 on the organisational requirements of a regulated market.
55. Article 79 on the board of directors and managing director of a market operator.
56. Article 80 on the function of the board of directors of a market operator.
57. Article 81 on restrictions on other functions of board members and managing directors of a market operator.
58. Article 82 on requirements concerning qualifying holdings in market operators.
59. Article 83 on systems resilience and circuit breakers.
60. Article 84 on market making.
61. Article 85 on algorithmic trading.
62. Article 86 on direct electronic access.
63. Article 87 on fee structures.
64. Article 88 on access to the order book by the Financial Supervisory Authority.
65. Article 89 on rules on co-location services.
66. Article 90 on tick sizes.
67. Article 91 on the synchronisation of business clocks.
68. Article 92 on the admission of financial instruments to trading.
69. Article 93 on the suspension and removal of financial instruments from trading.
70. Article 94 on market participation.

71. Article 95 on activities within the EEA.
72. Article 96 on the monitoring of trading by a regulated market, cf. Article 82 of Regulation (EU) 2017/565, cf. Article 3.
73. Article 98 on the determination of position limits.
74. Article 100 on risk management for position limits.
75. Article 101 on more restrictive position limits in exceptional circumstances.
76. Article 102 on position reporting by categories of position holders, cf. Article 83 of Regulation (EU) 2017/565, cf. Article 3.
77. Article 103 on position reporting for trading outside a trading venue.
78. Article 104 on the requirement for authorisation for providing data reporting services.
79. Point (2) of Article 107 on the withdrawal of authorisation when a firm that has obtained the authorisation through false statements or any other irregular means.
80. Article 108 on the board of directors of a data reporting services provider.
81. Article 109 on the organisational requirements for APAs, cf. Articles 84 to 89 of Regulation (EU) 2017/565, cf. Article 3.
82. Article 110 on the organisational requirements for CTPs, cf. Articles 84 to 89 of Regulation (EU) 2017/565, cf. Article 3.
83. Article 111 on the organisational requirements for ARMs.
84. Article 114 on auditing.
85. Article 115 on auditors' disclosure and reporting obligations.
86. Article 116 on the suitability of auditors.
87. Article 117 on not complying with the requirement of the Financial Supervisory Authority for a special audit.
88. Article 118 on the submission and publication of annual accounts.
89. Article 120 on employee reports of infringement in activities.
90. Article 121 on the protection of employees due to reporting of infringement in activities.
91. Article 3 of MiFIR on pre-trade transparency requirements for trading venues in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.
92. Article 4(3) of MiFIR on waivers for equity instruments.
93. Article 6 of MiFIR on post-trade transparency requirements for trading venues in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.
94. Article 7 of MiFIR on authorisation to defer publication.
95. Article 8 of MiFIR on pre-trade transparency requirements for trading venues in respect of bonds, structured finance products, emission allowances and derivatives.
96. Article 10 of MiFIR on post-trade transparency requirements for trading venues in respect of bonds, structured finance products, emission allowances and derivatives.
97. Article 11 of MiFIR on authorisation to defer publication.
98. Article 12 of MiFIR on the obligation to make pre-trade and post-trade data available separately.
99. Article 13 of MiFIR on the obligation to make pre-trade and post-trade data available on a reasonable commercial basis, cf. Articles 6 to 11 of Regulation (EU) 2017/567, cf. Article 3.
100. Article 14 of MiFIR on the obligation for systematic internalisers to make public firm quotes in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.
101. Article 15 of MiFIR on the execution of client orders, cf. Articles 6 to 14 of Regulation (EU) 2017/567, cf. Article 3.
102. Article 17 of MiFIR on access to quotes, cf. Article 15 of Regulation (EU) 2017/567, cf. Article 3.
103. Article 18 of MiFIR on the obligation for systematic internalisers to make public firm quotes in respect of bonds, structured finance products, emission allowances and derivatives, cf. Articles 6 to 11 of Regulation (EU) 2017/567, cf. Article 3.

104. Article 20 of MiFIR on post-trade disclosure by investment firms, including systematic internalisers, in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.
105. Article 21 of MiFIR on post-trade disclosure by investment firms, including systematic internalisers, in respect of bonds, structured finance products, emission allowances and derivatives.
106. Article 22 of MiFIR on providing information for the purposes of transparency and other calculations.
107. Article 23 of MiFIR on trading obligation for investment firms.
108. Article 25 of MiFIR on the obligation to maintain records.
109. Article 26 of MiFIR on the obligation to report transactions.
110. Article 27 of MiFIR on the obligation to supply financial instrument reference data.
111. Article 28 of MiFIR on the obligation to trade on regulated markets, MTFs or OTFs.
112. Article 29 of MiFIR on the clearing obligation for derivatives traded on regulated markets and timing of acceptance for clearing.
113. Article 30 of MiFIR on indirect clearing arrangements.
114. Article 31 of MiFIR on portfolio compression, cf. Articles 17 and 18 of Regulation (EU) 2017/567, cf. Article 3.
115. Article 35 of MiFIR on non-discriminatory access to a CCP.
116. Article 36 of MiFIR on non-discriminatory access to a trading venue.
117. Article 37 of MiFIR on non-discriminatory access to and obligation to licence benchmarks.
118. prohibition or restriction by ESA on the basis of Article 40 of MiFIR on temporary intervention powers.
119. prohibition or restriction by ESA on the basis of Article 41 of MiFIR on temporary intervention powers.
120. prohibition or restriction by the Central Bank of Iceland on the basis of Article 42 of MiFIR on product intervention.

The Financial Supervisory Authority may also impose administrative fines on any person who fails to comply with its requirements pursuant to the fourth paragraph of Article 119 or Article 122, considering, however, Article 129.

Fines imposed on natural persons may be from ISK 100 000 to ISK 800 million. Fines imposed on legal persons may be from ISK 500 000 to ISK 800 million but can be higher and may amount to as much as 10 % of the legal person's total turnover according to its last approved financial statement or 10% of the last approved consolidated financial statement if the legal person is part of a group.

Notwithstanding the third paragraph, the maximum administrative fine imposed on a legal or natural person may amount to as much as twice the financial benefit derived from the breach.

Decisions of the Financial Supervisory Authority on administrative fines are enforceable by law. After deducting the cost of collection, fines shall accrue to the Treasury. If administrative fines are not paid within 1 month of a decision by the Financial Supervisory Authority, penalty interest shall be paid on the amount of the fine. The Act on Interest and Indexation shall apply to decisions and calculation of penalty interest.

Art. 126

Determination of administrative sanctions

In determining the administrative sanctions under this Chapter, including the amount of the administrative fine, all relevant incidents shall be taken into account, including the following as applicable:

a. the seriousness of a breach and how long it has continued;
b. the liability of the offender;
c. the financial position of the offender, in particular by reference to the annual turnover of the legal person or the annual income and assets of a natural person;

d. the importance of the benefits, or losses avoided by a breach, for the offender;
e. losses incurred by third parties from a breach,
f. the willingness of the offender to cooperate; and
g. previous breaches.

Art. 127

Settlement.

Where a party has infringed the provisions of this Act, rules or regulations adopted on its basis or decisions of the Financial Supervisory Authority taken on its basis, the Authority may conclude the case through a settlement with the party's agreement, provided the breach is not a major offence subject to criminal sanctions. The settlement is binding when the party has approved and confirmed its substance by signature.

The Central Bank of Iceland shall adopt rules on the implementation of this Article.

Art. 128

Culpability

Administrative sanctions shall be imposed regardless of whether infringements are committed with intent or through negligence.

Art. 129

The rights of suspects and culpability

In a case against a natural person which may be concluded by the imposition of an administrative fine or charges to the police, any person reasonably suspected of having infringed the law shall have the right to refuse to answer questions or to surrender documentation or objects, unless the possibility can be excluded that this may be of significance for determining the person's offence. The Financial Supervisory Authority shall inform the suspect of this right.

Art. 130

Time limit to impose administrative sanctions

The authorisation of the Financial Supervisory Authority to impose administrative sanctions under this Act shall expire when 7 years have passed since the conduct in question ended.

The time limit provided for in the first paragraph shall be suspended when the Financial Supervisory Authority notifies a party of the initiation of an investigation of an alleged infringement. Suspension of the time limit shall have legal effect on all parties involved in a breach.

Art. 131

Sanctions for infringements

Unless more severe punishment is provided for in other Acts, infringement of the following provisions of this Act and rules and regulations adopted on its basis are punishable by fines or imprisonment of up to two years:

1. Article 5 on operating as an investment firm without authorisation.
2. Article 12 on a notification from a person of a qualifying holding in an investment firm.
3. Article 37 on the bonus systems and severance agreements of investment firms.
4. Article 68 on services and/or activities of investment firms established outside the EEA in Iceland with the establishment of a branch.
5. Article 74 on authorisation for a regulated market.
6. Article 82 on requirements concerning qualifying holdings in market operators.
7. Article 104 on the provision of data reporting services without authorisation.
8. Article 114 on auditing.
9. Article 115 on auditors' disclosure and reporting obligations.
10. Article 116 on the suitability of auditors.

Breaches of this Act that are punishable by fines or imprisonment shall be punishable whether committed intentionally or through negligence.

Any direct or indirect gain acquired through an infringement of the provisions of this Act that is punishable by fines or imprisonment may be confiscated by court order.

Attempted infringement or accessory to infringement of this Act is punishable under the General Penal Code.

A legal person may be fined for infringement of this Act and the regulation and rules adopted on its basis regardless of whether a specific representative, employee or any other person acting on behalf of the legal person is proven guilty. Any procedural representative, employee or any other person acting on behalf of the legal person who infringes this Act or rules adopted on its basis in a culpable manner may be punished, and the legal person may also be fined.

Art. 132

Charges to the police

Infringement of this Act shall only be subject to police investigation following charges from the Financial Supervisory Authority.

If an alleged infringement of this Act is punishable by both administrative fines and penal measures, the Financial Supervisory Authority shall assess whether to bring charges to the police or conclude the case with an administrative decision by the Authority. The Financial Supervisory Authority should refer major offences to the police. An infringement is considered a major offence if it involves substantial amounts, if the infringement has been committed in an especially reprehensible manner or under circumstances which greatly increase the culpability of the breach. Furthermore, the Financial Supervisory Authority may, at any stage of the investigation, refer infringement of this Act to the police for investigation. Care shall be taken to ensure consistency in resolving comparable cases.

The complaint by the Financial Supervisory Authority shall be accompanied by copies of the documentation supporting the suspicion of a breach. Chapters IV to VII of Act No 37/1993 on Administrative Procedures shall not apply to a decision by the Financial Supervisory Authority to report complaints to the police.

The Financial Supervisory Authority may provide the police and prosecution authority with information and documentation which the Financial Supervisory Authority has acquired and is connected with the breaches referred to in the second paragraph. The Financial Supervisory Authority may participate in actions by the police concerning the investigation of the same breaches.

The police and prosecution authority may provide the Financial Supervisory Authority with information and documentation which they have acquired and is connected with the breaches referred to in the second paragraph. The police may participate in actions by the Financial Supervisory Authority concerning the investigation to the same breaches.

If the prosecutor is of the opinion that there is insufficient cause for bringing suit concerning alleged criminal offence which furthermore is punishable by administrative sanctions, it may refer or return the case to the Financial Supervisory Authority for handling and a decision.

Art. 133

Public disclosure of administrative sanctions and other measures for infringement

The Financial Supervisory Authority shall, without delay, publish on its website any finding to impose administrative sanctions, and other measures, for infringement of this Act after notification to the offender of the decision of the Authority. The published finding shall include at least information on the type and nature of the infringement and the name of the offender.

Where the Financial Supervisory Authority considers the publication of the name of the offender, other legal persons or natural persons identified in the Financial Supervisory Authority’s finding to be inconsistent with the principle of proportionality in administrative law, or where publication may

jeopardise the stability of financial markets or an on-going investigation, the Financial Supervisory Authority may:

1. defer the publication of the finding until the moment where the reasons for non-publication cease to exist; or
2. publish the finding without naming the offender or other legal persons or natural persons identified in the Financial Supervisory Authority's decision.

The Financial Supervisory Authority may decide not to publish a finding if the Authority considers that disclosure pursuant to the second paragraph may jeopardise the stability of financial markets, an on-going investigation or if it is inconsistent with the principle of proportionality in administrative law.

In the event of anonymous publication of a finding pursuant to point (2) of the second paragraph, the Financial Supervisory Authority is entitled to disclose the relevant name when the reasons for anonymity no longer apply.

Where action is brought before the courts to appeal the Financial Supervisory Authority's decision to impose a sanction or other measures concerning infringement, the Financial Supervisory Authority shall publish such information on its website. The Financial Supervisory Authority shall furthermore publish information on the outcome of such appeal at each judicial instance. Where the Financial Supervisory Authority reverses its decision to impose a sanction or other measures, the Authority shall publish such information on its website.

Findings to impose administrative sanctions or other measures for infringement of this Act shall be published on the Financial Supervisory Authority's website for at least 5 years. Personal data included in the findings shall not be published for longer than the objective grounds demand in accordance with the Personal Data Act.

Simultaneously with the publication of the findings on the website of the Financial Supervisory Authority, the Authority shall inform ESMA of the publication. The Financial Supervisory Authority shall also inform ESMA of any finding to impose administrative sanctions or other measures in cases where the Financial Supervisory Authority decides not to publish them. In addition, the Financial Supervisory Authority shall inform ESMA of legal proceedings to annul the Financial Supervisory Authority's decision to impose sanctions or other measures and the outcome of such proceedings at each judicial instance. The Financial Supervisory Authority shall also inform ESMA of any verdicts in cases where penalties are imposed for infringement of this Act.

The Financial Supervisory Authority shall, on an annual basis, communicate to ESMA information in an aggregated form on the application of administrative sanctions or other measures. The Financial Supervisory Authority shall also, on an annual basis, communicate to ESMA information in an aggregated form, so that individual persons are not personally identifiable, on charges to the police and the results of such cases.

The Financial Supervisory Authority shall publish on its website the policy the Authority follows when publishing information under this Article.

The Central Bank of Iceland shall publish rules[1)] on the form and content of notifications ESMA.

1) *Regulation 855/2022.*

SECTION 10

Cooperation of the Financial Supervisory Authority with the competent authorities of other Member States

Art. 134

General information on the cooperation of the Financial Supervisory Authority and other competent authorities

The Financial Supervisory Authority shall, where necessary, cooperate with the competent authorities of other Member States in the exercise of the supervision provided for in this Act. This includes, in particular, the exchange of information, as well as participation in investigations and other supervisory activities.

The Financial Supervisory Authority may request from the police any type of information on the investigation or prosecution of cases of infringement of this Act, cf. the second paragraph of Article 132, and the police is obliged to provide such information to the Financial Supervisory Authority within a reasonable time.

The Central Bank of Iceland shall conclude a cooperation agreement with the competent authorities of the home Member State of a trading venue if the venue is considered to be of significant importance with regard to the functioning of the Icelandic securities market and the protection of investors. The same applies, where applicable, if an Icelandic trading venue is deemed to be of such importance in another Member State.

The Financial Supervisory Authority may use its supervisory powers pursuant to Section 8 to render assistance to another competent authority even where the conduct under review is not illegal in Iceland.

Where the Financial Supervisory Authority has good reasons to believe that conduct contrary to the provisions of MiFID2 or MiFIR has been carried out in another Member State, it shall notify the competent authorities of that Member State and ESMA accordingly. Where the Financial Supervisory Authority receives such notification of a breach of this Act from the competent authority of another Member State, it shall keep the competent authority concerned and ESMA apprised of the outcome of the case and, as appropriate, of interim developments.

The Central Bank of Iceland shall adopt detailed rules[1)] on cooperative agreements with competent authorities.

1) *Regulation 855/2022.*

Art. 135

Notifications of position limits

The Supervisory Authority shall notify ESMA and other competent authorities of Member States of the measures taken under points (12) and (13) of the fourth paragraph of Article 119.

The notification shall include, as appropriate:

1. Information as specified in point (8) of the fourth paragraph of Article 119, including the identities of the persons to whom the measure was addressed and the reasons therefor.
2. The scope of the limits introduced pursuant to point (13) of the fourth paragraph of Article 119 including the identity of the persons concerned, the applicable financial instruments, any limits on the size of positions and exemptions thereto granted in accordance with Article 98, and the reasons therefor.

The notification shall be made not less than 24 hours before the measures are intended to take effect, but it may be made at shorter notice in exceptional circumstances.

After receiving notification under the first paragraph from another competent authority, the Financial Supervisory Authority may take measures in accordance with points (12) and (13) of the fourth paragraph of Article 119 where it considers it necessary to achieve the objective of the other competent authority with the limit. This also applies where it proposes to take measures.

When a notification under the first paragraph relates to wholesale energy products, the Financial Supervisory Authority shall also notify the Agency for the Cooperation of Energy Regulators (ACER).

The Financial Supervisory Authority shall, upon request, provide the Environment Agency of Iceland with information in an aggregated form, so that individual persons are not personally identifiable, on transactions covered by this Act in emission allowances, including derivative transactions. In addition, the Financial Supervisory Authority shall cooperate with the Environment Agency of Iceland as necessary to ensure an adequate overview of emission allowances markets.

Art. 136

Cooperation in supervisory activities

Where the Financial Supervisory Authority receives a request to assist in an on-the spot verification or investigation from the competent authority of a Member State, it shall:

1. Carry out an examination or investigation itself.
2. Allow the competent authority to do so.
3. Allow auditors or other experts to do so.

Under Article 21 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision, ESMA may participate in supervisory activities, examinations and investigations in Iceland where this is carried out jointly by the Financial Supervisory Authority and the competent authority of another Member State.

The Central Bank of Iceland shall adopt detailed rules[1)] on the implementation of the Article.

1) *Regulation 855/2022.*

Art. 137

Exchange of information

The Financial Supervisory Authority shall immediately supply the competent authorities of Member States with the information it possesses and is required for the purposes of carrying out the supervision of the requirements based on MiFID2 and MiFIR.

The Financial Supervisory Authority may, in providing information pursuant to the first paragraph, indicate that such information must not be disclosed to third parties without consent and limit the purposes for which the information will be used.

Information received by the Financial Supervisory Authority from the competent authorities of a Member State for the purposes of monitoring this Act will only be used for supervisory activities, in particular:

1. to monitor that investment firms comply with this Act, on a stand-alone basis and on a consolidated basis;
2. to monitor the proper functioning of trading venues; and
3. to establish proof before the courts where the decision of the Financial Supervisory Authority has been appealed.

The Central Bank of Iceland shall adopt detailed rules[1)] on the implementation of the Article.

1) *Regulation 855/2022.*

Art. 138

Mediation between the Financial Supervisory Authority and the competent authority of another Member State

The Financial Supervisory Authority may refer to ESA matters relating to examinations or investigations under Article 136 or the exchange of information under Article 137 where a request has been rejected or has not been acted upon within a reasonable time.

Article 19 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision, applies to the proceedings, which may result in a binding decision with regard to the Financial Supervisory Authority.

Art. 139

Refusal to cooperate

The Financial Supervisory Authority may refuse a request for cooperation in carrying out supervision under Article 136 or to exchange information under Article 137 if the request relates to the same actions and the same persons to a case:

1. where judicial proceedings before the Icelandic courts; or
2. where final judgment has already been delivered before the Icelandic courts.

The Financial Supervisory Authority shall notify ESMA and the requesting competent authority and in the case of such a refusal, providing detailed information on the reasons for the refusal.

Art. 140

Consultation prior to authorisation

The Financial Supervisory Authority shall consult with the competent authorities of other Member State prior to granting authorisation to an investment firm which is:

1. A subsidiary of an investment firm, market operator or credit institution in another Member State.
2. A subsidiary of the parent undertaking of an investment firm or credit institution in another Member State.
3. Controlled by the same persons who control an investment firm or credit institution authorised in another Member State.

The Financial Supervisory Authority shall consult with the competent authorities of other Member State prior to granting authorisation to an investment firm or market operator which is:

1. A branch of a credit institution or insurance undertaking authorised in another Member State.
2. A branch of the parent undertaking of a credit institution or insurance undertaking authorised in another Member State.
3. Controlled by the same persons who control a credit institution or insurance undertaking authorised in another Member State.

The consultation of the Financial Supervisory Authority pursuant to this Article shall, in particular, take into account the assessment of suitability for having a qualifying holding and the assessment of the reputation and knowledge of the persons who effectively direct the business through ownership. The Financial Supervisory Authority shall provide the competent authority with all information regarding the suitability of persons to have a qualifying holding, who effectively directs the businesses in question and any information required for the granting of an authorisation as well as for the ongoing assessment of compliance of the businesses in question.

The Central Bank of Iceland shall adopt detailed rules[1)] on the implementation of the Article.

[1)] *Regulation 853/2022.*

Art. 141

Information gathering on branches in Iceland

The Financial Supervisory Authority may require investment firms operating branches in Iceland to provide periodic information on the activities of the branch in order to process statistical information.

The Financial Supervisory Authority may also require the branches of investment firms from other Member States to provide any information it deems necessary for the exercise of its supervisory functions under the fifth paragraph of Article 61. However, such requirements may not exceed the requirements of authorised investment firms in Iceland.

Art. 142

The authorisation of the Financial Supervisory Authority to take measures arising from the unlawful conduct of investment firms and trading venues providing cross-border services in Iceland

The Financial Supervisory Authority shall, where there are valid grounds for believing that an investment firm providing securities services in Iceland across borders is infringing this Act, notify the competent authority of the home Member State accordingly. The same applies to the branches of an investment firm in Iceland where the Financial Supervisory Authority is not authorised by this Act to react to the conduct in an appropriate manner.

Where an investment firm or branch continues conduct under the first paragraph which is clearly contrary to the interests of investors in Iceland or the sound functioning of markets, despite the action of the competent authority of the home Member State, the Financial Supervisory Authority shall, after

notifying the competent authority of the home Member State, take the measures necessary for the protection of investors and the sound functioning of the markets, including the prevention of any further trading by the investment firm in Iceland. The Financial Supervisory Authority shall immediately notify the European Commission and ESMA of such measures. The Financial Supervisory Authority may also refer the matter to ESA in accordance with Article 19 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision.

In cases where the Financial Supervisory Authority has the authority to react to the conduct of an investment firm with branches in Iceland, which is contrary to the provisions of this Act, the Financial Supervisory Authority shall use that authority to require it to cease the conduct. Where the investment firm fails to comply with the requirements of the Financial Supervisory Authority, the Authority shall take such measures as are necessary for the firm to cease its conduct. The Financial Supervisory Authority shall notify the competent authority of the home Member State of such measures. If the branch continues conduct contrary to this Act, irrespective of the measures taken by the Financial Supervisory Authority, the Authority shall take such measures as are necessary for the protection of investors and the sound functioning of the market. The Financial Supervisory Authority shall immediately notify the European Commission and ESMA of such measures. The Financial Supervisory Authority may refer the matter to ESA in accordance with Article 19 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision.

The Financial Supervisory Authority shall, where there are valid grounds for believing that an MTF or OTF providing securities services in Iceland across borders is infringing this Act, notify the competent authority of the home Member State accordingly. Where a trading facility continues conduct under the first paragraph which is clearly contrary to the interests of investors in Iceland, despite the action of the competent authority of the home Member State, the Financial Supervisory Authority shall, after notifying the competent authority of the home Member State, take the measures necessary for the protection of investors and the sound functioning of the market, including preventing members and participants in Iceland from accessing the trading facility. The Financial Supervisory Authority shall immediately notify the European Commission and ESMA of such measures. The Financial Supervisory Authority may refer the matter to ESA in accordance with Article 19 of Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision.

The Financial Supervisory Authority shall submit to investment firms and trading facilities written justification of decisions taken pursuant to this Article involving administrative fines or limits to their activities.

Art. 143

Cooperation and exchange of information with ESMA and ESA

The Financial Supervisory Authority shall, in collaboration with ESA and ESMA, enforce this Act in accordance with Regulation (EU) No 1095/2010, cf. the Act on the European System of Financial Supervision. The Financial Supervisory Authority shall provide institutions with the information necessary to enable them to exercise their supervisory functions under this Act and the Act on the European System of Financial Supervision, cf. Article 35 of Regulation (EU) No 1095/2010.

SECTION 11

Miscellaneous provisions.

Art. 144

Enforceability of decisions of ESA and appeals to the EFTA Court

The decisions of ESA under this Act are enforceable, as are the judgments and decisions of the EFTA Court.

Decisions of ESA may be appealed to the EFTA Court in accordance with the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice.

Art. 145

Rules and regulation concerning MiFIR

…[1)]

The Central Bank of Iceland may adopt rules on the details of the implementation of MiFIR on the matters set out in the following Articles thereof:

[1. Article 1(8) and (9) on exemptions from the scope.][1)]

[2.][1)] Article 2(2) on definitions.

[3.][1)] Article 4(6) on waivers for equity instruments.

[4.][1)] Article 5(9) on the volume cap mechanism.

[5.][1)] Article 7(2) on authorisation of deferred publication.

[6.][1)] Article 9(5) on waivers for non-equity instruments.

[7. Article 9(6) on package orders.][1)]

[8.][1)] Article 11(4) on authorisation of deferred publication.

[9.][1)] Article 12(2) on the obligation to make pre-trade and post-trade data available separately.

[10.][1)] Article 13(2) on the obligation to make pre-trade and post-trade data available on a reasonable commercial basis.

[11.][1)] Article 14(7) on the obligation for systematic internalisers to make public firm quotes in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.

[12.][1)] Article 15(5) on the execution of client orders.

[13.][1)] Article 17(3) on access to quotes.

[14.][1)] Article 19(2) and (3) on monitoring by ESMA.

[15.][1)] Article 20(3) on post-trade disclosure by investment firms, including systematic internalisers, in respect of shares, depositary receipts, ETFs, certificates and other similar financial instruments.

[16.][1)] Article 21(5) on post-trade disclosure by investment firms, including systematic internalisers, in respect of bonds, structured finance products, emission allowances and derivatives.

[17.][1)] Article 22(4) on providing information for the purposes of transparency and other calculations.

[18.][1)] Article 23(3) on trading obligation for investment firms.

[19.][1)] Article 25(3) on trading obligation for investment firms.

[20.][1)] Article 26(6) and (9) on the obligation to report transactions.

[21.][1)] Article 27(3) on the obligation to supply financial instrument reference data.

[22.][1)] Article 28(5) on the obligation to trade on regulated markets, MTFs or OTFs.

[23.][1)] Article 29(3) on the clearing obligation for derivatives traded on regulated markets and timing of acceptance for clearing.

[24.][1)] Article 30(2) on indirect clearing arrangements.

[25.][1)] Article 31(4) on portfolio compression.

[26.][1)] Article 32(1) and (6) on a trading obligation procedure.

[27.][1)] Article 33(2) on a mechanism to avoid duplicative or conflicting rules.

[28.][1)] Article 35(6) on non-discriminatory access to a CCP.

[29.][1)] Article 36(6) on non-discriminatory access to a trading venue.

[30.][1)] Article 37(4) on non-discriminatory access to and obligation to licence benchmarks.

[31.][1)] Article 40(8) on ESMA temporary intervention powers.

[32.][1)] Article 41(8) on EBA temporary intervention powers.

[33.][1)] Article 42(7) on product intervention by competent authorities.

[34.][1)] Article 45(10) on the position management powers of ESMA.

[35.][1)] Article 46(7) on the general provisions governing services and activities in a third country.

[36.][1)] Article 52(10) on reports and review.

1) *Act 50/2022, Art. 17.* 2) *Regulation 850/2022. Regulation 851/2022. Regulation 852/2022. Regulation 853/2022. Regulation 854/2022.*

Art. 146

Incorporation

This Act incorporates:

1. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID2) published in the EEA Supplement to the Official Journal of the European Union No 20 of 26 March 2020, pp. 73–220.
2. Directive (EU) 2016/1034 of the European Parliament and of the Council of 23 June 2016 amending Directive 2014/65/EU on markets in financial instruments published in the EEA Supplement to the Official Journal of the European Union No 42 of 25 June 2020, pp. 90–93.
3. Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR), cf. Article 3.
4. Regulation (EU) No 2016/1033 of the European Parliament and of the Council of 23 June 2016 amending Regulation (EU) No 600/2014 on markets in financial instruments, cf. Article 3.
5. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, cf. Article 3.
6. Commission Delegated Regulation (EU) 2017/567 of 18 May 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions, cf. Article 3.

Art. 147

Entry into force.

This Act shall enter into force on 1 September 2021. However, Article 39 shall enter into force on 1 November 2021 and the fifth paragraph of Article 48 shall enter into force on 28 February 2023. The requirement of the first paragraph of Article 40 that employees of an investment firm who provide investment advice shall have a securities license enters into force on 1 June 2022.

…

Notwithstanding Article 40, the Minister grants securities licenses to those who, prior to the entry into force of this Act, have passed an examination in securities transactions or have been licensed as securities brokers.

Art. 148

Amendment to other Acts

…