

Iceland - Market Information

Market settlement guide

Market Infrastructure

Exchange

Nasdaq CSD - Trading hours Monday to Friday: 9:30 – 15:30

Owned by OMX who also own the Icelandic Securities Depository (ISD). Operates an electronic trading system where only members can trade.

Nasdaq CSD Iceland - BIC: ICSDISR1

Opening hours Monday to Friday: 08:00-17:00. Nasdaq CSD Iceland is a registry, a depository and a clearing house for the settlement of securities in dematerialized form.

Settlement cycles

Matching takes place continuously.

3 settlement cycles during the day for DVP settlement, 9.15 11.45 and 15.00. On exchange settlement is T+2 for both bonds and equity.

FOP is processed every 10 min or less throughout the day from 8.00 – 17.00

No settlement or matching takes place after 17.00 or before 8.00.

Securities Identification

ISIN (International Securities Identification Numbering): Yes

Other: Not applicable

Instruments

- Equities: Common shares
- Debt: Bonds, T-Bonds, Housing Bonds, Housing Authority Bonds, T-Notes
- Money Market: T-bills, Commercial Papers
- Physical: None
- Other: Unit share certificates, Shares of Investment Funds

Agents - BIC

- **Arion banki** = ESJAISRE
- **Clearstream Bank** = CEDELULL
- **Fossar** = FOMRISR1
- **Íslandsbanki** = GLITISRE
- **Kvika banki** = MPBAISRE
- **NBI** = NBIIISRE

Cash

Payment Systems

Two types of payment systems are in operation, both are settlement systems.

The Central Bank's real-time gross settlement (RTGS) system and the netting system.

RTGS system:

- Handles final settlement of individual payment orders of 10 million ISK or above as soon as the deposit in the payer's account allows.
- Transfers payment orders directly to or from participants' current accounts with the Central Bank
- Operated by RB (the Icelandic Banks' Data Centre), through an Agreement between RB and the Central Bank.

Netting system:

- Jointly owned by the commercial banks, payment card companies and the Central Bank.
- Handles netting of accumulated payment orders between participants smaller than ISK 10 million.
- Customers have access to money deposited in accounts as soon as payment is made
- Settlements are made on participants' RTGS accounts in the Central Bank at 08:30 and 16:15 hrs.

Taxation

See separate tax information.

Other**Proxy voting**

Meeting notices and agendas are announced in English on the OMX web.

Proxy voting is only possible for segregated accounts and only beneficial owners have voting rights. Rights can be assigned by Power of Attorney. Votes can be split between two or more agents. Securities are usually blocked during the Annual General Meeting.

Turn-around Trades

Netting is not allowed so participants must hold either the securities or the cash at the start of the settlement day.

Securities lending

Not allowed.

Buy-In rules

Not applicable

Foreign ownership limits

Foreign ownership levels in fisheries or fish-processing companies are monitored by the companies themselves. If the directors of the company suspect the foreign ownership limit has been breached, they must notify the Ministry of Economic Affairs. The ministry has 4 weeks to gather information after which the Committee on Foreign Investment has 4 weeks to conclude whether there is a violation.

Should the Committee conclude that there is a violation, the Minister of Economic Affairs shall order the legal entity in question to sell the holding in the fisheries or fish-processing enterprise or, if such is the case, the share in the legal entity which owns a share in the fisheries or fish processing enterprise. The shareholder has 4 weeks to sell.

If the stock is not sold within 4 weeks, the owner shall deliver the shares to the ministry, which entrusts an independent local broker to sell them. If the stock is not delivered, all rights pertaining to the share shall lapse.

Market practice

Securities cut off

FOP - To ensure for enough time for matching of instructions in the system, Íslandsbanki's formal cut-off time for securities instructions (MT540 & 542) is at 14:30 on S-1. Instructions that arrive after will be executed on a best effort basis.

DVP - To ensure settlement of DVP in the first cycle of the day. Settlement instructions (MT541 and 543) and funding should be in place before 14.30 on S-1 to ensure settlement in the first cycle. Instructions received after that are processed on a best effort basis. The first cycle is at 9.15 every day. If settlement does not take place in the first cycle, there are two more cycles that same day.

Securities cancellations and amendments

Cancellation instructions are executed on a best effort basis. Same goes for amendments. Matched trades cannot be cancelled unless the counterparty cancels as well.

Cash cut off

Payment instructions (MT202/103) received before 15:00 will normally take effect on value date. Book transfer instructions received before 16:00 will normally take effect on value date. However, instructions to effect payment through another bank may cause one day additional delay if not effected by receiving bank.

Cash cancellations and amendments

Cancellations and amendments will be processed on a best effort basis assuming they have been sent before the cut-off times. (MT199/292) and (MT199/299) are acceptable for instructions.

Market Entrance Requirements

Account Structure

Pre-Investment requirements:

Investors must obtain an Icelandic tax ID prior to opening a securities account.

A Custody Agreement must also be in place along with KYC documentation.

Account Structure:

1. All clients segregated. Tax exemption applications to be filled in for each one and sent to the Icelandic Tax authorities
2. Nominee (0% tax). Fixed income securities of clients from countries with full exemption under a tax treaty kept in a nominee account. No withholding applied to the account. Full disclosure to Íslandsbanki of all clients represented in the account. Tax authorities and the Financial Supervisory Authority have the right to request this information from Íslandsbanki. All other holdings in segregated accounts. Tax exemption applications to be filled in for each one and sent to the Icelandic Tax authorities.
3. Nominee (full tax) one client per account. Full disclosure to Íslandsbanki on the client represented in the account. Tax authorities and the Financial Supervisory Authority have the right to request this information from Íslandsbanki.

Required Documentation

Obtain Icelandic Tax ID and open securities account:

1. Corporate Client - Certificate of Incorporation issued within the last three months.
Individual Client – Proof of identity such as passport. Signed application.
2. An MT-599 SWIFT message requesting account to be opened, providing account Sub-name, Tin number, OECD code and cash account to be linked to the portfolio.

Portfolio name change:

Official name change documents from home country.

Timeframe

New securities account opening:

With Tax ID in place appr. 2 working days.

With no Tax ID in place appr. 16 working days.

Charges

New tax ID: ISK 5.000,- for legal entities and ISK 10.000,- for individuals. This charge is added to the next custody fee invoice.

Tax ID name change: No charge

Portfolio name change: No charge

For any questions about market entrance requirements, please contact ifi@islandsbanki.is