This document is issued by the Icelandic Securities Market Practice Group (ISMP). These terms and conditions are drawn up by mutual consent following the local market practice laid down by the participants in the Icelandic securities market.
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1. Introduction

1.1 Market practice
Market practice sets forth the terms and conditions for giving settlement instructions to clearing parties and custodians in Iceland. Foreign investors are guided on how settlement instructions relating to securities issued in Iceland shall be formatted, as well as on deadlines.

Icelandic custodians may make these guidelines as an integral part of the service level agreement in which the rights and responsibilities of the parties are set forth.

1.2 Applicable law, rules and regulations
Securities clearing and settlement processes in Iceland are covered by statutory provisions set out in relevant Icelandic laws and regulations. Clearing parties are bound by these laws, rules and regulations.

These terms and conditions have been drawn up by mutual consent by the participants in that offer sub-custody service in the Icelandic securities market. Every effort has been made to ensure the consistency of market practice with relevant laws and regulations.

1.3 Currency restrictions
Foreign exchange transactions have been subject to capital controls ever since the banking system collapsed in the autumn of 2008. Before the capital controls took effect, the Central Bank issued guidelines instructing the banks to limit foreign currency sales to essential transactions involving trade in goods and services.

On 28 November 2008, the Rules on Foreign Exchange were adopted in accordance with temporary provisions in the Foreign Exchange Act. When the Rules took effect, all controls on current account foreign exchange transactions were lifted, but more stringent controls on cross-border movement of capital and related foreign exchange transactions were imposed. The Rules have been reviewed and amended several times. The amendments have aimed primarily at closing loopholes in the original Rules.

http://www.cb.is/the-bank/foreign-exchange/capital-controls-liberalisation-strategy/
1.4 Definitions and abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AML</td>
<td>Anti-Money Laundering Regulations</td>
</tr>
<tr>
<td>BIC</td>
<td>Bank Identifier Code</td>
</tr>
<tr>
<td>CBI</td>
<td>Central Bank of Iceland</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>Bonds in book entry form and zero coupon instruments</td>
</tr>
<tr>
<td>DKK</td>
<td>Danish Monetary Unit-Krone</td>
</tr>
<tr>
<td>DTA</td>
<td>Double Taxation Agreement</td>
</tr>
<tr>
<td>DVP</td>
<td>Deliver against payment transaction</td>
</tr>
<tr>
<td>FIFO</td>
<td>First In First Out</td>
</tr>
<tr>
<td>FME</td>
<td>Icelandic Financial Supervisory Authority</td>
</tr>
<tr>
<td>FOP</td>
<td>Free of payment transaction</td>
</tr>
<tr>
<td>Foreign</td>
<td>Individuals or legal entities registered within Icelandic Registers with legal domicile in other countries than Iceland</td>
</tr>
<tr>
<td>Icelandic</td>
<td>Individuals or legal entities registered within Icelandic Registers with legal domicile in Iceland</td>
</tr>
<tr>
<td>Icelandic identification number (Abbreviated as ID/reg no)</td>
<td>Numbers used by governments of many countries as a means of tracking citizens, corporations and institutions.</td>
</tr>
<tr>
<td>Icelandic tax identification number</td>
<td>Numbers used by governments of many countries as a means of tracking citizens, corporations and institutions. Same number as an Icelandic identification number/reg.no.</td>
</tr>
<tr>
<td>INET</td>
<td>Trading platform used by NASDAQ OMX</td>
</tr>
<tr>
<td>ISD</td>
<td>Icelandic Securities Depository</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>ISIN</td>
<td>International Securities Identification Number</td>
</tr>
<tr>
<td>ISK</td>
<td>Icelandic Monetary Unit-Krónur</td>
</tr>
<tr>
<td>KYC</td>
<td>Know your customer</td>
</tr>
<tr>
<td>LIFO</td>
<td>Last In First Out</td>
</tr>
<tr>
<td>NASDAQ OMX</td>
<td>Stock Exchange in the Nordics and Baltic region. ICEX is often used for the Icelandic Exchange</td>
</tr>
<tr>
<td>OTC</td>
<td>Over The Counter Trade i.e. off-exchange trade</td>
</tr>
<tr>
<td>RB</td>
<td>Icelandic Banks Data Centre</td>
</tr>
<tr>
<td>RSK</td>
<td>Directorate of Internal Revenue in Iceland</td>
</tr>
<tr>
<td>RTGS</td>
<td>Real Time Gross Settlement</td>
</tr>
<tr>
<td>RVP</td>
<td>Receive against payment transaction</td>
</tr>
<tr>
<td>S</td>
<td>Settlement Date</td>
</tr>
<tr>
<td>S-1</td>
<td>One day prior to settlement date</td>
</tr>
<tr>
<td>S-2</td>
<td>Two days prior to settlement date</td>
</tr>
<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
</tr>
<tr>
<td>SSN-ID</td>
<td>Icelandic Social Security Number. (Sometimes referred to as tax identification number, Icelandic identification number or SSN. (Icelandic version kennitala)</td>
</tr>
<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
</tr>
</tbody>
</table>
2. The Icelandic market.

2.1 Market participants

2.1.1 The Stock Exchange-NASDAQ OMX Iceland
NASDAQ OMX owns exchanges in the Nordic, Baltic regions and USA. NASDAQ OMX develops and provides technology and services to companies in the securities industry around the globe. The trading system provided by the Stock Exchange is INET. NASDAQ OMX Iceland is a regulated securities market, where securities are officially listed and traded. Act No. 110/2007 on Stock Exchanges.
http://eng.atvinnuvegaraduneyti.is/laws-and-regulations/nr/nr/7393

2.1.2 Icelandic Securities Depository (ISD)
ISD is owned by the NASDAQ OMX group and is the central securities registration in Iceland. It is a depository and clearing house for dematerialized securities in Iceland.

Local custodians are connected to the ISD proprietary system, book entry system, through a direct link. The ISD also offers a stand-alone interface for manual input of instructions and for monitoring of accounts for ISD members. The ISD is not SWIFT compliant.

The numbering system used in Iceland is ISIN and the ISD, which is a member of ANNA (Association of National Numbering), is responsible for the issuance and monitoring of ISIN’s for Icelandic securities.

As a CSD, the ISD is governed by ACT no. 131/1997, on Electronic Registration of Title to Securities. ISD is supervised by the Icelandic Financial Authorities.
http://eng.atvinnuvegaraduneyti.is/laws-and-regulations/nr/nr/7402
2.1.3 Central Bank of Iceland (CBI)
The Central Bank of Iceland was established by an act of Parliament in 1961, although the history of central banking in Iceland is much longer. The current Central Bank Act is no. 36/2001. The Central Bank of Iceland (Seðlabanki Íslands) is an independent institution, owned by the Icelandic state but under separate administration.

The Central Bank is in charge of monetary policy implementation in Iceland and performs a wide range of functions to this end. The main objective of monetary policy is price stability. Furthermore, the Bank is also obliged to contribute towards the Government's main economic policy objectives insofar as it does not consider this to conflict with its own goal of price stability.

In addition, the Central Bank undertakes standard central banking tasks, such as maintaining external reserves and promoting an efficient and safe financial system, including payment systems domestically and with foreign countries. It is also responsible for the issue of notes and coin, exchange rate matters and other duties, as specified in the Central Bank Act.

http://www.sedlabanki.is/lisalib/getfile.aspx?itemid=6861

2.1.4 The Icelandic securities settlement system
The Icelandic securities settlement system is operated by the Icelandic Securities Depository. The settlement model is BIS model 2. Cash settlement takes place at the Central Banks RGTS system. Fixed income securities are settled on T+2 and equities are settled on T+2. There are two settlement cycles in the market.

2.1.5 RTGS system
The RTGS system is a payment system that handles the settlement of all payments instructions between participants/financial institutions in amounts of ISK 10 million or more.

2.1.6 Netting system
The netting system is a payment and settlement system for monetary transitions involving amounts less than ISK 10 million. Participants are the commercial banks, savings banks and the Central Bank. The Icelandic Banks’ Data Centre (RB) provides software services for payment systems and the Central Bank acts as a settlement provider.

2.1.7 Icelandic Financial Supervisory Authority (FME)
The Icelandic Financial Supervisory Authority (www.fme.is) was established in June 1998, and undertakes supervision in accordance with Act No. 87/ 1998, Act on official supervision of financial operations. FME is a state authority and has its own board. FME reports to the Minister of Commerce. Its role is to ensure that the activities of parties subject to supervision are in accordance with laws and regulations, and that they are in every respect consistent with sound and proper business practices.

Parties subject to supervision are commercial banks, savings banks, credit undertakings (investment banks), deposit departments of co-operative societies, securities companies,
securities brokerages, management companies, the stock exchange, ISD, pension funds, insurance companies and insurance brokers licensed to operate in Iceland. Several other financial institutions, which operate in accordance with special legislation, are also subject to supervision by FME.

The activities of the FME are primarily governed by two acts, Act No. 87/1998 and Act No. 99/1999
http://eng.atvinnuvegaraduneyti.is/media/Acrobat/Act-No-87-1998.pdf

2.2 Specific investment regulations
There is no law or regulation that excludes certain type of investors in the Icelandic market such as hedge funds.

2.3 Threshold reporting
The declaration of holding/reporting is in the hands of the investors’, e.g. threshold reporting. Threshold reporting is from 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 50%, 66 2/3 %, and 90%.

2.4 Investment restrictions
There are some restrictions in relation to certain industries.

Fisheries
Only the following parties may conduct fishing operations within Icelandic fisheries territorial waters or run own enterprises engaged in fish processing:
- Icelandic citizens and other Icelandic entities
- Icelandic legal entities wholly owned by Icelandic entities or Icelandic legal entities that are:
  - Not under more than 25% ownership by foreign entities (up to 33% in certain circumstances)
  - Fish processing means any processing that preserves marine products from decay including production of fish oil and fish meal, but does not include further processing designed to render products more suitable for distribution or consumption. Seafood canning, however, is open to foreign investment.

Geothermal Energy
Only Icelandic citizens and other Icelandic entities, as well as individuals and legal entities domiciled in another member state of the EEA, are permitted to own energy exploitation rights as regards waterfalls and geothermal energy for other than domestic use. The same applies to enterprises which produce or distribute energy.

Icelandic Airlines
The maximum total shareholding owned of non-residents (with the exception of residents of EEA member states) in Icelandic airline companies is 49%.

2.4.1 Restrictions on investment by non-EEA/non-OECD residents
Individual domiciled within the EEA and/or OECD may run a business or take part in a business enterprise with unlimited liability in Iceland, while those from outside these areas need to apply for permission from the Minister of Commerce or other appropriate authority.
Limited liability companies and other legal entities domiciled outside the EEA and the OECD may operate in Iceland provided that this is permitted in an international treaty which Iceland is a party to or if permission is granted by the Minister of Commerce. Special permission must be applied for from the Minister of Commerce in the case of investment in Icelandic enterprises by foreign states, foreign municipalities or other foreign authorities involved in enterprises.

Board membership of Icelandic companies by individuals domiciled outside the EEA/OECP is subject to restrictions, however the Ministry of Commerce may grant exemptions.

2.5 Eligible currencies
Securities listed on the OMX Nordic Exchange Iceland and securities listed with the Icelandic Security Depository are usually issued in ISK.

Settlement for listed Faroese instruments takes place in VP Denmark. Securities can be issued in other currencies at the ISD, but cannot be cleared and settled through the ISD trade reporting system. *Please see chapter 1.3 regarding currency restrictions*

2.6 Custody services in Iceland
Icelandic banks offer a full range of financial services including custody services for domestic and international clients.

Main service providers for sub-custody services are:

**Arion Bank hf.**
Borgartúni 19
IS-105 Reykjavík
Iceland
Telephone: + (354) 444 7000
[www.arionbanki.is](http://www.arionbanki.is)
BIC: ESJAISRE

**Íslandsbanki hf.**
Kirkjusandur 2
IS-155 Reykjavík
Iceland
Telephone: + (345) 440 4000
[www.islandsbanki.is](http://www.islandsbanki.is)
BIC: GLITISRE

**Landsbankinn hf.**
Austurstraeti 11
IS-155 Reykjavík
Iceland
Telephone: + (354) 410 4000
[www.landsbankinn.is](http://www.landsbankinn.is)
BIC: NBIIISRE
Investment banking services, including broking and corporate advice:

**Straumur Investment Bank hf.**  
Borgartún 25 7th floor  
IS-105 Reykjavík  
Iceland  
Telephone + (354) 585 6600  
www.straumur.com  
BIC: STRBISRE

**MP Bank-** Commercial and Investment Bank  
Ármúli 13 a  
IS-108 Reykjavík  
Iceland  
Telephone + (354) 540 3230  
http://english.mp.is/  
BIC: MPBAISIRE

### 2.7 Market entry

While there are no standard market entry requirements (pre-investment requirements) for foreign investors, custodians may have their own requirements. Icelandic Id.No./Reg.No., are required if a custody account is opened directly with domestic financial institutions.

Foreign investors must have custody or trading accounts through local agent or sub-custodians before investing in the Icelandic financial instruments.

In some cases and depending on account setup an Icelandic Tax Id/Reg. no. might be required (it takes about 2 – 3 business days to obtain Tax ID if all documents are in order). Fee for obtaining an Icelandic id/reg.no., is based on the current fee schedule of the Icelandic Register of Enterprises.

### 2.7.1 Anti Money Laundering Regulations (AML)

Strict rules prescribe measures to prevent money laundering and terrorist financing, both in Iceland and abroad. Act No. 64/2006, on Measures to Prevent Money Laundering and Terrorist Financing, was adopted in 2006. The purpose of the Act is to prevent money laundering and terrorist financing by obliging parties who undertake activities that may be used to launder money and finance terrorism to know their customers and the business they conduct.

### 2.7.2 Know Your Customer (KYC)

Legal entities are required to provide information on their a) name (registered company name), b) TIN number, c) legal domicile, d) activities, e) telephone and f) legal form.
Legal entities registered in Iceland prove their identity by providing an original certificate from the Enterprise Register of the Director of Internal Revenue. Non-Icelandic legal entities must provide further information, i.e. a) an original certificate from the enterprise register or similar in the relevant country, b) the company's Articles of Association, and c) a bank reference or, as appropriate, the company's annual financial statement.

3. Clearing and settlement

3.1 Depository clearing
The Icelandic Securities Depository Ltd. (ISD) is a registry, a depository and a clearing house for the settlement of securities in dematerialized form in the Icelandic market. The system is open on weekdays from 8:30 -17:00.

3.2 Third party trades
Custodian settlement transactions for third parties are not DVP on the Icelandic market. Settlement instructions are received by participants and are pre-matched between agents on S through telephone. When a trade is matched and ready for settlement, the buyer’s agent executes the cash transaction. After receipt of cash the seller’s agent releases the securities to the buyers transfer zone at the ISD where the buyer’s agent receives them and deposits the relevant securities account. Market tolerance is ISK 2,500. If the amount deviates within the permitted limit the transaction is settled at the price indicated by the seller. Netting is not allowed as cash and securities move separately on a trade by trade basis.

3.2.1 Pre-matching criteria:
1. Trade day
2. Settlement day
3. Deal price
4. Identification of Securities (ISIN Code)
5. Quantity of securities
6. Receiving and/or Delivery agent
   :95P:: BIC Code of DEAG/REAG
   :95Q:: Name of DEAG/REAG
7. Buyer and/or Seller
   :95P:: BIC Code of BUYR/SELL
   :95Q:: Name of BUYR/SELL
8. Total cash amount in ISK
3.2.2 Third party trade transaction flow

3.3 Transaction process for ISD registered securities for ISD members

3.3.1 Trade reporting system (TRS)
The TRS system is maintained by the ISD. Members of ISD have authorisation to allocate ON/OFF Exchange trades through the TRS system. The settlement cycles are two, the first one is at 11.45 and the second at 15:00.

Settlement for ISD members takes place through the TRS system and cash settlement is done through the Central Banks RGTS.

3.3.2 Trade settlement flow for ISD members
The central securities system for settlement in ISK is based on ISD reported trades to the Central bank of Iceland. Based on the net transfers that apply to each seller and buyer, the Central Bank of Iceland carries out the cash settlement and ISD the securities settlement.
Settlement cycle
Settlement through the ISD TRS system is done in two settlement cycles carried out daily. Members can input their settlement instructions until 17:00 on S-1 at which time ISD sends information to the Central Bank of Iceland and each member, information about their payment obligations for S.

<table>
<thead>
<tr>
<th>S-1</th>
<th>ISD system opens</th>
<th>S</th>
<th>Settlement 1</th>
<th>Settlement 2</th>
<th>ISD system closes</th>
</tr>
</thead>
<tbody>
<tr>
<td>17:00</td>
<td>08:30</td>
<td>11:15</td>
<td>11:45</td>
<td>15:00</td>
<td>17:00</td>
</tr>
</tbody>
</table>

Trades can be allocated until 11:15 on S, after that, transactions are locked for settlement that takes place at 11:45. ISD cancels transactions with negative balances. Buyers must have sufficient cash to meet their obligations on their account at the Central bank on S at 11:00 and the Central Bank of Iceland sends ISD a confirmation thereof. Same applies to the second settlement cycle that takes place at 15:00. Securities must be allocated before 14:30 as the system closes for allocations. If there are insufficient cash or securities on the accounts, settlement is postponed.

The settlement model used in Iceland is BIS model 2.

3.4 Market opening hours.

3.4.1 Securities
Official opening hours with the ISD are from 08.30-17.00 Kindly contact your custodian for their official deadlines.

3.4.2 Cash
The RTGS system is open from 09.00-16.15 from Monday through Friday. Kindly contact your custodian for their official deadlines.

3.5 SWIFT reporting
Settlement reporting is based on SLA agreement with local appointed custodian.

3.5.1 Settlement confirmations
Settlement is confirmed with MT544, 545, 546 and 547 messages.

3.6.2 Expiration of settlement instructions
Custodians reject instructions 30 days from receipt of instructions. MT548 are executed.

3.7 Tax

3.7.1 Deal price and original buy date
It became mandatory due to tax reasons as of 01.09.2009, to include the buying price in field 90A:/90B: The buying price being the clean price of the original purchase.

Transactions free of payment and against payment must include the original buy date and buying price of the holdings being transferred in field 90A:/90B. Custodians without the option of using field 90A:/90B may use field 70E. The original buy date is defined as the settlement day of the original buy.
3.7.2 Capital gains tax
If a sale results in capital gains for the seller, then the seller’s agent is obligated to calculate and withhold tax on capital gains. The agent will include the withheld tax amount in the MT-547 sent to the seller.

3.8 Short selling and partial settlement
The following procedures are not allowed within the Icelandic market:

- Short selling
- Partial settlement

3.9 Securities lending/borrowing
Securities lending and borrowing is not available.

4. Crossborder settlement/conversions
The ISD and domestic custodians provide foreign investors assistance with crossborder settlement and conversions.

4.1 Clearstream
Clearstream became a market participant in Iceland in 2009. Clearstream provides settlement for Icelandic debt instruments and equities held by ISD in Iceland.

4.2 Euroclear
Euroclear provides clearing and settlement for Icelandic Housing Bonds commencing with XS ISINs. Euroclear is not a market participant in Iceland.

4.3 VP Denmark
The Danish VP has an agreement with the Icelandic Securities Depository, for the safekeeping of Icelandic debt instruments and equities.

* Please see chapter 1.3 regarding currency controls

5. Corporate actions

Corporate actions events for listed instruments are announced through the exchange website. No announcements are distributed through ISD. For unlisted instruments, issuers’ websites and the news media is the main data source for information.

5.1 Mandatory events
The most common mandatory events are dividends on equity and interest payments on debt instruments.

5.1.2 Dividends
Dividends are normally paid annually in Q-2. Holders of instruments are entitled to dividends on traded positions on Ex-date – 1. According to rules and regulations from the ISD, issuers may choose to pay through the ISD or they may pay directly to custodians in the market. Further details of ISD rules and regulations can be found on their website.

http://en.vbsi.is/LawsandRegulations/ISDrules/
In some cases the ISD pays directly into bank accounts owned by shareholders. For custodians, the ISD transfers dividend payments into a single account held by the custodian who distributes the funds to underlying clients. Reconciliation is executed by receiving an Excel spreadsheet from the ISD with Icelandic Id.no./reg.no, names and net amounts booked.

Issuers are obligated to with-hold tax on dividends and pay to tax authorities. The pay-date of dividends shall be no later than six months after decision by a shareholders meeting. No specific timeframe is given by the ISD or issuers on when dividend payments shall be executed on pay dates. Dividends can be executed during opening hours of the payment transfer system in Iceland (Banks Data Centre), from 09:00 – 21:00.

How payments are then executed on the custodian side, depends whether contracts are on actual or contractual basis and the cut-off time for executing transactions with same day value. For entitlements due to late/delayed settlements, the custodian or the parties involved, depending on the service level agreement (SLA) between parties, are under market claims.

5.1.3 Interests, instalments and redemptions
Issuers cannot pay interest, instalments and redemptions through the ISD. Instead they must pay directly to custodians in the market. All applicable taxes are withheld by the custodian who returns tax proceeds to the tax authorities. For entitlements due to late/delayed settlements, the custodian or the parties involved depending on the SLA between parties. EX/REC dates are as of end of business day on S-1.

5.1.4 Drawings
The Housing Financing Fund (HFF) draws a specific number of housing bonds for redemption.

For physical bonds being drawn means that the bond itself has matured and is paid in full by HFF. This occurs on a monthly basis

Non-physical bonds are drawn by specific percentage.

5.1.5 Other mandatory events
Other mandatory events are not common in the market.

5.2 Voluntary events
Voluntary CA events are rare in the Icelandic market. However it is common practice though for issuers to require shareholders to act directly through their website, using a password to register their votes in the voluntary event. No action is thus taken through the custodian except for those who are under their custodian’s nominee account in ISD. Please also notice that even though foreign entities are under their own name in ISD, they might request that their local custodian in the market handles their action in voluntary events. This is based on SLA between parties at each time.

5.2.1 Shareholders meetings and proxy voting
Issuers need to announce shareholders´ meetings at a minimum three weeks before the meeting date. The announcement needs to state, at least, the meeting place, meeting time and draft of the agenda. Furthermore, issuers are further obligated to divulge further details on their website, also three weeks in advance of the meeting. Final meeting agendas can be found on the newsdesk of NASDAQ OMX Iceland and local newspapers, no later than one week prior to meetings.
Exercising voting rights is only possible if shares are registered in the beneficial owner’s name on record date with the ISD. Shares held in nominee accounts do not have voting rights. Given that listed companies can announce meetings three weeks prior to meeting date, the timeframe can be tight if it is needed to apply for Icelandic id.no./reg.no and make other arrangements for proxy voting on a temporary voting account.

No rules exist how the record date is decided but it is most commonly one business day before the meeting.

5.2.2 Split and partial voting
Split and partial voting are not allowed.

6. Taxation

6.1 Changes in Taxation for Foreign Investors

By change of laws September 1st 2009, levy of a withholding tax has become mandatory on all non-Icelandic beneficial owners. The tax is applicable for all Icelandic securities and income

- Standard withholding tax on dividend
- Interest payments on credit interest
- Capital gains tax on interest payments of corporate and mutual bonds
- Capital gains realized on the sale of equities, corporate and mutual bonds

6.2 Dividend

<table>
<thead>
<tr>
<th>TYPE</th>
<th>RATE %</th>
<th>REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icelandic individuals</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Icelandic legal entities</td>
<td>20</td>
<td>Exception for certain entities</td>
</tr>
<tr>
<td>Foreign individuals</td>
<td>20</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 15% under DTA terms</td>
</tr>
<tr>
<td>Foreign legal entities</td>
<td>18</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 15% under DTA terms</td>
</tr>
</tbody>
</table>

According to the laws in place, tax on dividend is withheld by issuers, not financial institutions.
6.3 Interest

<table>
<thead>
<tr>
<th>TYPE</th>
<th>RATE %</th>
<th>REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icelandic individuals</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Icelandic legal entities</td>
<td>20</td>
<td>Exception for certain entities</td>
</tr>
<tr>
<td>Foreign individuals</td>
<td>10</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 0% under most DTA terms</td>
</tr>
<tr>
<td>Foreign legal entities</td>
<td>10</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 0% under most DTA terms</td>
</tr>
</tbody>
</table>

Profits from investments into bonds are classified as interest according to Icelandic laws. Tax is calculated on a trade by trade basis and actual trading prices. The First In- First Out (FIFO) method or Average Method is applied with agents.

**Capital gains on funds:** Icelandic funds use the Last In-First-Out (LIFO) method.

6.4 Capital Gain Tax on Equities

According to law, capital gains tax on equities should be withheld at source. Due to complications in execution, withholding at source is not practiced.

<table>
<thead>
<tr>
<th>TYPE</th>
<th>RATE %</th>
<th>REMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icelandic individuals</td>
<td>20</td>
<td>Exception for certain entities</td>
</tr>
<tr>
<td>Icelandic legal entities</td>
<td>20</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 0% under most DTA terms</td>
</tr>
<tr>
<td>Foreign individuals</td>
<td>20</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 0% under most DTA terms</td>
</tr>
<tr>
<td>Foreign legal entities</td>
<td>18</td>
<td>Upon application to RSK (valid for 5 years) it can be lowered to 0% under most DTA terms</td>
</tr>
</tbody>
</table>

6.5 Tax calculation periods

Please notice that tax calculations are executed according to each tax rate in force, at given time. This means that more than one tax rate is used to calculate the tax if holding lapse more than one tax period. The periods are as follow.

**Foreign individuals**
- Interest before Sept.01,2009: 0%
- Interest from Sept. 01,2009: 15%
- Interest from Jan.01,2010: 18%
- Interest from Jan.01,2011: 20%
- Interest from Jan.01, 2012: 10% (nominee accounts 20%)
Foreign legal entities

- Interest before Sept. 01, 2009: 0%
- Interest from Sept. 01, 2009: 15% (nominee accounts and joint Venture companies 23, 5%)
- Interest from Sept. 01, 2010: 15% (nominee accounts 18%)
- Interest from Sept. 01, 2011: 18% (nominee account 20%)
- Interest from Jan. 01, 2012: 10% (nominee accounts 20%)

6.6 Other remarks concerning tax issues

**Trades between two foreign investors:** Capital gain tax is not withheld when a trade is between two foreign investors.

**Tax Allocation:** Tax allocation service on nominee accounts varies between custodians. Please contact your custodian for further details.

No tax is withdrawn from interest on securities where CBI pays on its own issues or on interest CBI pays on behalf of Government of Iceland – TDM for entities with limited tax liability: Effective June 02, 2014. Before that date, only CBI’s own issues were exempt from tax on interest for entities with limited tax liability. Please notice that this applies to all securities issues by TDM regardless when issued. Complete listing can be found at: https://www.rsk.is/english/companies/isin-exemptions/

Please also notice that securities issued by Housing Financing Fund owned by The Icelandic State, are excluded from this arrangement.

6.7 Refund Claims and Double Taxation Treaties

Information regarding Icelandic taxation, refund claims and double taxation treaties can be found on the website of the Icelandic Directorate of Internal Revenue Service. Please see at:

https://www.rsk.is/english/companies/double-taxation-conventions/

Application for DTA status (RSK 5.42) and tax refund (RSK 5.43): https://www.rsk.is/english/forms/

Effective DTA agreements can be found at: http://www.ministryoffinance.is/customs-and-taxes/nr/414

If any further information is needed, please direct your questions and inquiries to your custodian for the Icelandic market.
## 7. Market closings

Holiday schedule for domestic banks, Icelandic Securities Depository and NASDAQ OMX*

<table>
<thead>
<tr>
<th>Holiday</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Year Day</td>
<td>Jan 01</td>
</tr>
<tr>
<td>Maundy Thursday</td>
<td>April 02</td>
</tr>
<tr>
<td>Good Friday</td>
<td>April 03</td>
</tr>
<tr>
<td>Easter Monday</td>
<td>April 06</td>
</tr>
<tr>
<td>First Day of Summer</td>
<td>April 23</td>
</tr>
<tr>
<td>Labour Day</td>
<td>May 01</td>
</tr>
<tr>
<td>Ascension Day</td>
<td>May 14</td>
</tr>
<tr>
<td>Whit Monday</td>
<td>May 25</td>
</tr>
<tr>
<td>Constitution Day</td>
<td>June 17</td>
</tr>
<tr>
<td>Commerce Day</td>
<td>Aug 03</td>
</tr>
<tr>
<td>Christmas Day Eve</td>
<td>Dec 24</td>
</tr>
<tr>
<td>Christmas Day</td>
<td>Dec 25</td>
</tr>
<tr>
<td>Boxing Day</td>
<td>Dec 26</td>
</tr>
<tr>
<td>New Year Day Eve**</td>
<td>Dec 31</td>
</tr>
</tbody>
</table>

*Applicable for domestic banks, stock exchange and depository

** Opening hour from 09.00-12.00. Applicable for domestic banks and depository. Stock exchange closed.

Saturdays and Sundays closed for all domestic banks, stock exchange and depository.

Christmas Eve, Christmas Day, Boxing Day and New Year day closed for all domestic banks, stock exchange and depository.
## 8. NASDAQ OMX Iceland-Trading Timetable

<table>
<thead>
<tr>
<th></th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>09.30-15.30</td>
</tr>
<tr>
<td>Equity rights</td>
<td>09.30-15.30</td>
</tr>
<tr>
<td>ETF, Investment Funds and other Collective Investment Schemes</td>
<td>09.30-15.30</td>
</tr>
<tr>
<td>First North</td>
<td>09.30-15.30</td>
</tr>
<tr>
<td>Bonds</td>
<td>09.30-15.30</td>
</tr>
<tr>
<td>After trade 1 (Post-trade)</td>
<td>15.30-16.00</td>
</tr>
<tr>
<td>After Trade 2 (Pre-open)</td>
<td>08.00-09.15</td>
</tr>
<tr>
<td>Morning Call</td>
<td>09.15-09.30</td>
</tr>
</tbody>
</table>

(1) Last five minutes: no order matching, closing auction and uncross at 15:30.

Opening hours are GMT
9. Appendix

The Central Bank of Iceland
http://www.cb.is/

Rules on Foreign Exchange
http://www.sedlabanki.is/?PageID=1019

Payment Systems
http://www.cb.is/payments/payment-systems/

The Icelandic Directorate of Internal Revenue Service
http://www.rsk.is/english

The Icelandic Financial Supervisory Authority
http://en.fme.is/

NASDAQ OMX-Iceland
Buy-in procedure and guidelines

The Icelandic Securities Depository
http://en.vbsi.is/

Other useful websites

Information regarding Debt instruments
www.bonds.is

Icelandic daily news and business updates
http://english.m5.is/?

Statistics about Iceland
http://www.statice.is/

Invest in Iceland
http://www.invest.is/

Laws and regulations for financial services in English
http://eng.efnahagsraduneyti.is/laws-and-regulations/Financial_Services/

Government Debt Management
http://www.lanamal.is/EN/

Icelandic State Financial Investments
http://bankasysla.is/en/frontpage/

The Depositors’ and Investors’ Guarantee Fund
http://www.tryggingarsjodur.is/
The Official Gateway to Iceland
http://www.iceland.is/iceland-abroad/

Government Offices of Iceland
http://www.government.is/

Disclaimer:
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