

ACT

on Actions against Market Abuse

Entered into force on 1 September 2021. *EEA Agreement: Annex IX. Regulation 596/2014.*

References in this Act to a minister or ministry without specifying the area of responsibility or referring to it, shall refer to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the areas of responsibility of the ministries under the Presidential Decree can be found here.

CHAPTER I

Objective and enactment

Art. 1

Objective

The objective of this Act is to promote the integrity of financial markets and to strengthen investor protection and investor confidence in financial markets.

Art. 2

Enactment

The provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, which is published in the EEA Supplement to the Official Journal of the European Union no. 73 of 12 November 2020, pp. 68–128, [cf. the correction in the EEA Supplement no. 28 of 15 April 2021, p. 176,]¹⁾ shall have legal force in this country with those adaptations resulting from the Decision of the EEA Joint Committee no. 259/2019, of 25 October 2019, cf. also Protocol 1 on Horizontal Adaptation to the Agreement on the European Economic Area, cf. the Act on the European Economic Area, no. 2/1993, in which the Protocol is enacted, with amendments as laid down in:

1. Art. 56 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) 596/2014. The Regulation is published on pp. 72-136 of the EEA Supplement to the Official Journal of the European Union no. 16 of 12 March 2020;
2. Art. 2 of Regulation (EU) 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 and

amending 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. The Regulation is published on pp. 66-72 of the EEA Supplement to the Official Journal of the European Union no. 20 of 26 March 2020;

- [3. Art. 1 of Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 amending Directive 2014/65/EU and Regulations (EU) nos. 596/2014 and (EU) 2017/1129 with regard to encouraging the use of SME growth markets, published in the EEA Supplement to the Official Journal of the European Union no. 20 of 24 March 2022, pp. 82–91.]¹⁾

References to terms as defined in Directive 2014/65/EU in Art. 3 of Regulation (EU) no. 596/2014 refer to the terms defined in Art. 4 of the Act on Markets in Financial Instruments.

The reference to Articles 21–27 of Directive 2012/30/EU of the European Parliament and of the Council in point 17 of paragraph 1 of Art. 3 of Regulation (EU) no. 596/2014 refers to Chapter VIII of the Act on Public Limited Companies.

The reference to data traffic records, as defined in paragraph 2 (b) of Art. 2 of Directive 2002/58/EC of the European Parliament and of the Council, in point 27 of paragraph 1 of Art. 3 of Regulation (EU) no. 596/2014 refers to data on telecommunications as defined in Chapter IX of the Telecommunications Act.

The reference to Articles 31 and 54 of Directive 2014/65/EU of the European Parliament and of the Council in paragraph 1 of Art. 16 of Regulation (EU) no. 596/2014 refers to Articles 55 and 95 Act on Markets in Financial Instruments.

The reference to Directive 2003/87/EU in paragraph 3 of Art. 6 and paragraph 2 of Art. 17 of Regulation (EU) no. 596/2014 refers to the Climate Act.

The reference to officially appointed mechanisms in Art. 21 of Directive 2004/109/EU of the European Parliament and of the Council, in paragraph 1 of Art. 17 and in paragraph 3 of Art. 19 of Regulation (EU) no. 596/2014 refers to the central storage mechanism provided for in Art. 36 of the Act on the Disclosure Obligation of Securities Issuers and Flagging Obligation, no.20/2021.

The reference to installations in the meaning of Art. 3 (c) of Directive 2003/87/EU in paragraph 2 of Art. 17 of Regulation (EU) no. 596/2014 refers to an installation in the meaning of point 11 of Art. 3 of the Climate Act.

[The reference in paragraph 8 of Art. 18 of Regulation (EU) no. 596/2014 to paragraphs 1 and 5 refers to paragraphs 1–5.]¹⁾

The reference to Directive 2009/138/EC in paragraph 7 (c) of Art. 19 of Regulation (EU) no. 596/2014 refers to the Act on Insurance Activities.

The reference to Directive 95/46/EC in paragraphs 28 and 29 of Regulation (EU) no. 596/2014 refers to the Act on Personal Data Protection and the Processing of Personal Data.

The reference to consolidated financial accounts in paragraph 2 of Art. 30 of Regulation (EU) no. 596/2014 refers to consolidated financial accounts in the meaning of the Act on Annual Financial Statements.

¹⁾Act no. 50/2022, Art. 18.

CHAPTER II

Supervision and reporting of infringements

Art. 3

Supervision

The Financial Supervisory Authority monitors compliance with this Act. Its supervision is governed by the provisions of this Act, the Act on Official Supervision of Financial Activities and the Act on the European Supervisory System in the Financial Market.

The Financial Supervisory Authority may avail itself of those authorisations laid down in Art. 23 of Regulation (EU) no. 596/2014 in enforcing this Act. The authorisations for obtaining information

and data provided for in the provision, however, do not extend to information and data obtained by an attorney in examining the legal status of a client in connection with a court case. Exercise of the authorisations shall be governed by the provisions of the Act on Criminal Procedure as applicable.

The Central Bank of Iceland is the competent authority in the meaning of Regulation (EU) no. 596/2014.

Art. 4

Monitoring of inside information and managers' transactions

The Board of Directors of an issuer of financial instruments, as referred to in paragraph 1 (c) of Art. 2 of Regulation (EU) no. 596/2014, shall engage a compliance officer or formally confirm the compliance officer's appointment. A deputy compliance officer shall be engaged in the same manner. The compliance officer shall oversee enforcement within the issuer of the provisions of this Act on the handling of inside information and managers' transactions. The compliance officer shall submit a report to the issuer's Board of Directors on the implementation of compliance as often as necessary, and at least annually.

The government and other parties that receive insider information on a regular basis in their operations shall follow the Central Bank of Iceland's rules on the handling of inside information and managers' transactions, as appropriate.

The Central Bank of Iceland may set rules on the role and status of the compliance officer and the recording of communications that take place on the basis of the rules.

Art. 5

Reporting of infringements

Supervised entities, in the meaning of the Act on Official Supervision of Financial Activities, shall adopt rules on procedures for reporting by employees of infringements of provisions of Regulation (EU) no. 596/2014 which are consistent with the first paragraph of Art. 5 of the Act on the Protection of Whistleblowers, no. 40/2020.

Art. 6

Correction of infringement

Should it be revealed that the provisions of this Act are not complied with, the Financial Supervisory Authority shall demand that corrections be made within a reasonable time limit.

CHAPTER III

Sanctions

Art. 7

Administrative fines

The Financial Supervisory Authority may levy administrative fines on any party infringing against the following provisions of Regulation (EU) no. 596/2014, as amended under Art. 2:

1. Art. 4, Notifications and list of financial instruments;
2. Art. 14, Prohibition of insider dealing and of unlawful disclosure of inside information;
3. Art. 15, Prohibition of market manipulation;
4. Art. 16, Prevention and detection of market abuse;
5. Art. 17, Public disclosure of inside information;
6. Art. 18, Insider lists;
7. Art. 19, Managers' transactions;
8. Art. 20, Investment recommendations and statistics.

The Financial Supervisory Authority may also levy administrative fines on any one failing to comply with its requirements pursuant to Articles 3 or 6, however, taking Art. 14 into consideration.

Fines levied on individuals can range from ISK 100,000 to:

1. ISK 65 million, for infringements against Art. 4 of this Act and the second paragraph of this Article;
2. ISK 775 million, for infringements against Articles 14 and 15 of the Regulation;
3. ISK 155 million, for infringements against Articles 16 and 17 of the Regulation;
4. ISK 80 million, for infringements against Articles 18, 19 and 20 of the Regulation.
5. Fines levied on legal entities can range from ISK 100,000 to:
6. ISK 250 million, for infringements against Art. 4 of this Act and the second paragraph of this Article;
7. ISK 2,315 million, for infringements against Articles 14 and 15 of the Regulation, but may be higher, amounting to up to 15% of total annual turnover according to the legal entity's last approved annual financial statements or 15% of the last approved consolidated financial statements if the legal entity is part of a consolidation;
8. ISK 390 million, for infringements against Articles 16 and 17 of the Regulation, but may be higher, amounting to up to 2% of total annual turnover according to the legal entity's last approved annual financial statements or 2% of the last endorsed consolidated financial statements if the legal entity is part of a consolidation;
9. ISK 155 million, for infringements against Articles 18, 19 and 20 of the Regulation.

Notwithstanding the third and fourth paragraphs, an administrative fine may be levied on an individual or legal entity amounting to up to three times the amount of the gain from an infringement or the loss avoided by an infringement.

Decisions of the Financial Supervisory Authority's on administrative fines are enforceable by execution. After deducting the cost of collection, fines shall accrue to the Treasury. If administrative fines are not paid within a 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 a decision on and calculation of penalty interest.

Art. 8

Revocation of operating license

If an investment firm grossly or repeatedly infringes against this Act the Financial Supervisory Authority may revoke the firm's operating license or suspend it temporarily, cf. Articles 8 and 9 of the Act on Markets in Financial Instruments.

Art. 9

Ban against managerial functions

If an individual who holds a managerial position in an investment firm infringes against provisions of this Act, the Financial Supervisory Authority may prohibit him/her temporarily, or permanently in the case of repeated infringements of Articles 14 or 15 of Regulation (EU) no. 596/2014, from discharging managerial responsibilities in an investment firm. The same applies to an individual who works for an investment firm but does not hold a managerial position if the individual is responsible for the infringement.

Art. 10

Prohibition against trading on own account

If an individual holding a managerial position in an investment firm infringes against provisions of this Act the Financial Supervisory Authority may temporarily prohibit him/her from trading on own account. The same applies to an individual who works for an investment firm but does not hold a managerial position if the individual is responsible for the infringement.

Art. 11

Culpability

Administrative sanctions provided for in this Chapter may be applied regardless of whether infringements are committed deliberately or through negligence.

Art. 12

Decision on administrative sanctions

Decisions on administrative sanctions under this Chapter, including the amount of administrative fines, shall take into account all significant factors, including the following as appropriate:

1. the gravity and duration of the infringement;
2. the responsibility of the offender;
3. the financial position of the offender, in particular with regard to the total annual turnover of a legal entity or the annual income of an individual;
4. the benefit gained by the offender or the loss avoided through the infringement;
5. the willingness of the offender to co-operate;
6. previous infringements; and
7. measures taken by the offender to prevent a recurrence of the infringement.

Art. 13

Settlement

If a party has infringed against provisions of this Act or decisions of the Financial Supervisory Authority based upon it, the Financial Supervisory Authority may conclude the case with a settlement with the party, provided that no major infringements subject to criminal sanctions are involved, cf. the second and third sentences of the second paragraph of Art. 18. A settlement is binding upon the party once its contents have been accepted and endorsed with a signature.

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

Art. 14

Rights of suspects

In a case that is directed at an individual and can end with a decision on administrative sanctions or a complaint to the police, the person who is suspected on reasonable grounds of an infringement of the law has the right to refuse to answer questions or deliver data or objects unless it can be ruled out that this may be relevant in assessing whether an infringement has occurred. The Financial Supervisory Authority shall inform the suspect of this right.

Art. 15

Limitation period for levying administrative sanctions

The authorisation to levy administrative sanctions under this Chapter lapses once seven years have passed since the conduct ended. Notification to parties by the Financial Supervisory Authority of an investigation into an alleged infringement interrupts the limitation period for all those who have been involved in the violation.

Art. 16

Publication of administrative sanctions and other remedies for infringements

The Financial Supervisory Authority shall publish decisions on measures taken due to infringements of provisions of this Act as provided for in Art. 34 of Regulation (EU) no. 596/2014.

Art. 17

Penalties for infringements

An infringement of Art. 14 (c) of Regulation (EU) no. 596/2014, on unlawful disclosure of inside information, is punishable by fines or imprisonment of up to two years, unless this is subject to heavier punishment under other statutes.

Infringements of the following Articles of Regulation (EU) no. 596/2014 are punishable by fines or imprisonment of up to six years, unless this is subject to heavier punishment under other statutes:

1. Art. 14 (a), prohibiting insider dealing;
2. Art. 14 (b), prohibiting recommending or inducing another party to engage in insider dealing;
3. Art. 15, prohibiting market manipulation.

Violations of this Act which are liable to fines or imprisonment shall be liable to punishment whether committed deliberately or through negligence.

A court may order the confiscation of any direct or indirect profit that has been obtained through an infringement of provisions of this Act which is liable to fines or imprisonment.

An attempt to commit or participation in an infringement of this Act is punishable under the General Penal Code.

A legal entity may be fined for infringements of this Act and regulations and rules issued on the basis thereof, regardless of whether the guilt of a specific representative, employee or other party working on behalf of the legal entity is proven. If a representative, employee or other party acting on behalf of the legal entity has committed a criminal infringement of this Act or regulations or rules issued on the basis thereof, in the activities of the legal entity, they may be punished in addition to the fine levied on the legal entity.

Art. 18

Police complaint

Infringements of this Act shall only be subject to police investigation following a complaint from the Financial Supervisory Authority.

Should an alleged violation of this Act be liable to both administrative fines and punishment, the Financial Supervisory Authority shall assess whether the case should be reported to the police or concluded with an administrative decision. In the case of major infringements, the Financial Supervisory Authority should refer these to the police. An infringement is considered major if it involves significant amounts or if the act is committed in a particularly reprehensible manner or in circumstances that greatly increase the criminality of the infringement. Furthermore the Financial Supervisory Authority may, at any stage of the investigation, refer infringements of this Act for police investigation. Care shall be taken to ensure consistency in resolving comparable cases.

Charges laid by the Financial Supervisory Authority shall be accompanied by copies of the documentation supporting the suspicion of an infringement. Provisions of Chapters IV–VII of the Administrative Procedures Act, no. 37/1993, shall not apply to a decision of the Financial Supervisory Authority to report cases to the police.

The Financial Supervisory Authority may provide the police and the prosecuting authority with information and documents that it has obtained which relate to the infringements listed in the second paragraph. The Financial Supervisory Authority may participate in police actions concerning the investigation of the same infringements.

The police and prosecuting authority may provide the Financial Supervisory Authority with information and documentation which they have obtained which relate to the infringements listed in the second paragraph. The police may participate in actions of the Financial Supervisory Authority concerning the investigation of the same infringements.

If the prosecutor considers there to be no grounds for legal action for alleged criminal conduct which is also liable to administrative sanctions, the prosecutor may refer the case back to the Financial Supervisory Authority for processing and a decision.

CHAPTER IV
Miscellaneous provisions

Art. 19

Authorisation to issue regulations and rules

The Minister may issue a regulation on the further implementation of Regulation (EU) no. 596/2014 with regard to those aspects described in the following articles of the Regulation:

1. paragraphs 5 and 6 of Art. 6, on exemptions from its scope;
2. paragraph 5 of Art. 12, Market manipulation;
3. paragraphs 2 and 3 of Art. 17, Public disclosure of inside information;
4. paragraphs 13 and 14 of Art. 19, Managers' transactions;
5. paragraph 5 of Art. 32, Reporting of infringements.¹⁾

The Central Bank of Iceland may set rules²⁾ on the further implementation of Regulation (EU) no. 596/2014 with regard to those aspects described in the following articles of the Regulation:

1. paragraphs 4 and 5 of Art. 4, Notifications and list of financial instruments;
2. paragraph 6 of Art. 5, Exemption for buy-back programmes and stabilisation;
3. paragraphs 9 and 10 of Art. 11, Market soundings;
4. paragraph 7 of Art. 13, Accepted market practices;
5. paragraph 5 of Art. 16, Prevention and detection of market abuse;
6. paragraph 10 of Art. 17, Public disclosure of inside information;
7. paragraph 9 of Art. 18, Insider lists;
8. paragraph 15 of Art. 19, Managers' transactions;
9. paragraph 3 of Art. 20, Investment recommendations and statistics;
10. paragraph 3 of Art. 24, Cooperation with ESMA;
11. paragraph 9 of Art. 25, Obligation to cooperate;
12. paragraph 2 of Art. 26, Cooperation with third countries;
13. paragraph 5 of Art. 33, Exchange of information with ESMA.

¹⁾Reg. 977/2021 ²⁾Reg. 320/2022.

Art. 20

Entry into force

This Act shall enter into force on 1 September 2021.

Art. 21

Amendments to other Acts ...