

Box 2 Amendments to legislation on securities trading

On December 16, 2000 Iceland's parliament passed an amendment to Act no. 13/1996 on Securities Transactions. The main changes from earlier legislation are that the concepts "confidential information", "primary insider" and "other insiders" are defined, together with detailed provisions on various issues related to these concepts. More detailed provisions are also set for public offerings. The following is a broad summary of the main points of the amendments:

Confidential information: Information about the issuer of securities, the securities themselves or other points which have not been made public but would be likely to affect the market value of the securities if they were. Information is regarded as public when it has been communicated in the securities market by public and approved means. Notifications to stock exchanges and regulated OTC markets are considered public once they have been communicated from there, cf. the Act on Activities of Stock Exchanges and Regulated OTC Markets (Art. 2 subparagraph 4).

Primary insiders: Parties in possession of or generally having access to confidential information on account of ownership, involvement in the board, operation or supervision, or on account of other duties on behalf of the issuer of securities which have been listed or have requested to be listed on a stock exchange or a regulated OTC market have to obtain an operating licence in Iceland.

Individuals or legal entities directly or indirectly owning shares in the issuer of securities which have been listed or have requested to be listed on a stock exchange or regulated OTC market have to obtain an operating licence in Iceland, and having representatives on the board of the said issuer by virtue of their ownership (Art. 2, subparagraph 5)

Other insiders: A party who is not regarded as a primary insider but, on account of his work, position or duties, has temporary access to confidential information.

A party who is not regarded as a primary insider but has gained knowledge of confidential information, provided that he knows or should have known the nature of such information. (Art. 2, subparagraph 5)

Companies providing securities services must not act as intermediaries in securities trading if their employees

are aware, or have grounds for believing, that such trading is in violation of the provisions of the section on treatment of confidential information, insider trading and market manipulation. (Art. 18)

Insiders must not: 1. Employ confidential information, directly or indirectly, for the acquisition or disposal of securities; 2. Provide confidential information to a third party, unless this is in normal connection with the work, position or duties of the provider of the information; 3. Advise a third party, on the basis of confidential information, to acquire or dispose of securities or encourage in other respects trading in them. This provision also extends to legal entities and individuals who take part in decisions on trading in securities for the legal entity's own account. The provision does not apply to trading by the central government, Central Bank of Iceland or parties handling trading on their behalf, provided that the trading constitutes part of official monetary policy, exchange rate policy or debt management. (Art. 31)

Primary insiders are obliged to ensure that no confidential information is at hand before they trade in the securities, and they are also required to notify the specified party of the planned trading. A stock exchange shall make information about trading by primary insiders public if this exceeds specific limits and the ownership share is above specified limits or falls below such limits. The Financial Supervisory Authority shall maintain a record of primary insiders and companies are obliged to notify it of insiders. The board of a listed company shall set rules on the treatment of confidential information and insider trading. (Arts. 32-37)

Another related provision is found in the Act: Individuals or legal entities must not take part in, promote or encourage trading in securities or other actions with the purpose of presenting an incorrect picture of the scope of trading with specific securities or having an abnormal or excessive impact on price formation in securities trading. (Art. 38)

Provisions on public offerings entail an obligation to publish a prospectus. Exceptions are allowed, however, mainly exempting issues targeted at small groups of prospective investors or institutional investors, or securities issued in special cases. The Financial Supervisory Authority supervises inspection of prospectuses, but

prospectuses for IPOs at stock exchanges may be accepted as valid. The Financial Supervisory Authority may grant exemptions and defines who are institutional investors. The Central Bank of Iceland may set rules con-

cerning the first day of sale of individual public offerings with the aim of reducing fluctuations in supply of new securities in the market. (Arts. 25-29)