



*Rules Iceland Stock Exchange, Ltd. No. 5
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Rules on Ethics for members of the Iceland Stock Exchange, Ltd.

Iceland Stock Exchange, Ltd. has, according to point 5, Article 11, Act No. 34/1998 on Securities Exchanges and Regulated Securities Markets, set the following rules on ethics.

Text of these rules shown in italics is intended as a guidelines. It should not be regarded as a binding or exhaustive discussion of the subject.

I. Scope of application and purpose

Article 1

These rules apply to trades made by members of the Iceland Stock Exchange, Ltd. hereafter named Exchange members, and their personnel in securities listed on the Exchange, and to other marketing activities which occur in connection with the Exchange.

Article 2

These rules are intended to foster visible and correct price formation and equality in trade with registered securities. These regulations are further intended to bring confidence and trust to the stock market and foster its development.

II. Honesty and fairness

Article 3

All personnel activities of Exchange members shall be conducted with honesty and fairness.

Exchange members' staff shall treat the trade and information system of Iceland Stock Exchange, Ltd. with honesty and do nothing which would hurt the public image of the Exchange and its trade and information system.

Exchange members must stand by all their obligations.

Exchange members who take upon themselves the listing and issuing of securities shall use due diligence in becoming familiar with operations and financial status of the issuer.

The substance of Article two means, for example, that Exchange members are prohibited from making issuances or bids which they cannot fulfil, or issues which have the purpose of disseminating anything other than price.

In connection with short sales, it is appropriate to emphasise that trade within the trade and information system of the Exchange is the responsibility of the Exchange member.

Black's Law Dictionary defines Due diligence as: Such a measure of prudence, activity, or assiduity, as properly to be expected and ordinarily exercised by, a reasonable and prudent man under the particular circumstances, not measured by any absolute standard, but depending on the relative facts of the special case.

III. Best execution

Article 4

The Exchange members are obliged to follow instructions of their client to the best of their ability in every case.



Exchange members shall if this is asked, inform the customer whether the transaction is being performed as an agent transaction, or involving the Exchange member's own account.

Instruction for agent transaction should be followed without delay, at the best available price.

Transactions of an Exchange member on behalf of its own accounts with a customer and executed outside the Exchange's information system, shall be in accordance with current market prices, unless otherwise agreed upon with the customer. Exchange members are obliged to inform their customers in advance about any fee which it will be charge for services, per provisions of paragraph one(1), Article 16, Act No. 13/1996.

Exchange members shall base advice to their customers on currently available, trustworthy and adequate information.

Exchange members' personnel shall, among other things, inform their customers if trade of a certain security within the trade and information system has been stopped, even though Exchange members are, for example, trading with their customer on their own behalf, that is, external trading.

IV. Information

Article 5

Exchange members shall provide their customers, and considering the customer's awareness, thorough and neutral information which should make it possible for the customer to form an opinion about the investment options on offer, their advantages and disadvantages, per provisions of Article 15, Act No. 13/1996.

Exchange members who take upon themselves trusteeship for their clients, shall, in conference with the client, clarify in advance the customer's investment policy, per provisions of Article 17, Act No. 13/1996.

Article 6

Exchange members shall verify each transaction with a customer, providing all appropriate information.

Exchange members are obliged to advise customers if the member has reason to believe trade conducted could carry disclosure requirements (flagging, or inside transaction).

Exchange members shall record and preserve all information on transactions in order to be able to answer client questions or those of reviewing parties, for example the Iceland Stock Exchange, ltd. and the Financial Supervisory Authority(FSA), regarding execution of a transaction in question.

Article 7

If a client asks, an Exchange member is obliged to inform the client of the member's financial status, that is, the newest annual accounts or interim accounts, if these have been made public.

V. Conflict of interest and misuse of facilities

Article 8

Exchange members are obliged to avoid any kind of conflict of interest or betrayal of confidentiality which might arise between brokers and other staff actions, for example, those connected to the Exchange member's activities in the field of derivative trading, stock trading on its own behalf, research, public offerings, consultation relating to a company's operations, and loan activities. The member shall reduce the risk of such conflict of interest, where appropriate, with clear separation of individual business aspects, as much as is possible--that is through use of 'Chinese Walls.'

The client should be given the advice pertaining to the client's best interests, but not necessarily that which may strengthen the business position of the Exchange member.

The Exchange member shall execute trade instructions in the order in which they arrive, and in accordance with principles of best execution. The Exchange member is unauthorised to trade on its own behalf ahead of client instructions (front running).

VI. Business practices - visibility

Article 9

All transactions shall be conducted according to law and with sound business practices as a guideline.

Exchange members are responsible for seeing that rules on good business practices are followed, per, for example, provisions of Articles 15 and 16, Act No. 13/1996 on Securities



Transactions. Member personnel shall conduct business in a credible manner, always protecting the client's best interests while having due regard for the interests of the market as a whole.

This provision provides, among other things, that Exchange member personnel are unauthorised to accept buy-offers or sell-offers which obviously give the wrong impression of market price of a given stock, and it may be clear to the staff member that every likelihood exists settlement of the transaction will not take place.

Article 10

Exchange members are unauthorised to conduct virtual transactions, distribute wrong, confusing or partisan information, instigate rumours on issuers or securities listed on the Iceland Stock Exchange, Ltd., or in any other way, attempt to manipulate price formation through dishonest means (market manipulation).

Personnel of Exchange members shall neither initiate inquiries about confidential information, nor distribute it.

Article 11

Exchange members shall take caution not to undertake anything which could hinder, or disrupt fair and organised market activities.

Exchange members are authorised to trade in securities which are listed with Iceland Stock Exchange, Ltd. without offering them through the Exchange's trading system, so long as both buyer and seller are made aware that this is the case, per provisions of Article 23, Act No. 34/1998 on Securities Exchanges and Regulated Securities Markets. Nevertheless, the obligation exists to inform the Exchange precisely about each transaction, in accordance with rules on the Trade and Information system of Iceland Stock Exchange, Ltd., and provisions of regulations and acts of law.

VII. Competence

Article 12

Personnel of Exchange members shall be competent in their positions, and depending on circumstances, be specially educated and hold those licenses which are suitable for their position. Exchange members shall ensure appropriate training and instruction on rules and practices on the markets and their personnel shall generally have access to a specialist in the laws and rules which apply to the stock exchange.

VIII. Duty to maintain confidentiality and public discussion

Article 13

Personnel of Exchange members shall maintain information on matters relating to clients, Exchange members or the Iceland Stock Exchange, Ltd. confidential from unauthorised parties.

IX. Obedience of the law, monitoring, etc.

Article 14

Exchange members shall, in their work, obey laws and rules which apply to the securities market, as well as supervising their personnel such that they comply with rules of the securities market. It is the responsibility of Exchange members to set rules on their staff's trading in securities.

If an Exchange member senses that a staff member of theirs has violated a law or rule pertaining to the securities market, the member shall take the initiative to announce this to the Iceland Stock Exchange, Ltd. or the Financial Supervisory Authority.

Article 15

The Board of Directors of the Iceland Stock Exchange, Ltd. is authorised to establish a committee on ethics to settle disagreements on whether or not an Exchange member and its personnel have maintained operations according to these rules. The committee's opinion and its conclusions shall be made public, giving consideration to laws on privacy.

Article 16

The foregoing rules must not be considered as complete discussion of good business practices. Exchange members are responsible for standardising their own rules on ethics and business practices in accordance with provisions of these rules and making those rules valid regarding its



personnel. Exchange rules apply in those incidents when internal rules of Exchange members may be in discord with the material aspects of those rules of ethics of the Exchange.

It is proper and an obligation of Exchange members to confer with the Iceland Stock Exchange, Ltd. in cases where doubt has arisen regarding ethics.

X. Effective dates, etc.

Article 17

These rules are effective 1 July 1999. They are set with reference to sub-paragraph five(5), paragraph one(1), Article 11, Act No. 34/1998 on Securities Exchanges and Regulated Securities Markets.