

# Iceland

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## Óttar Pálsson and Ólafur Arinbjörn Sigurdsson LOGOS Legal Services Reykjavik

The Icelandic financial sector's legal framework is based on EU Directives, because Iceland is member of the European Economic Area (EEA). Icelandic legislation in this field has undergone extensive revisions in recent years; the first act on securities transaction came into effect in 1986. In 2003, parliament approved new acts on financial undertakings, securities transactions and undertakings for collective investments in transferable securities (Ucits) and investment funds. This year, amendments were made to the Act on Securities Transactions (the Act), that came into force on July 1 2005.

The Act contains provisions regarding mandatory and voluntary takeover bids. Certain takeover rules can also be found in the Companies Act. The Companies Act applies to all limited liability companies, while the takeover provisions of the Act apply only to companies that have shares listed on a regulated securities market. In this article we will give a short overview of the Icelandic takeover rules with special emphasis on recent changes to the Act, which are mainly related to implementation of EU Directive 2004/25/EU adopted on April 21 2004.

The amendments to the Act have simplified the provisions on takeover obligation, and reference is now made acknowledging that a takeover obligation can arise because of cooperation between parties. New provisions have been introduced that cover formal or informal agreements between parties to acquire control of a listed company or to prevent the takeover of such company. The new provisions also contain a presumptive rule under which, if specific circumstances exist, certain connections between parties automatically mean that cooperation exists unless the opposite is proved.

According to the Act, a party that has directly or indirectly acquired dominance in a listed company must, no later than four weeks after the acquisition, make a takeover bid to other shareholders in the company. According to the Act, a "dominant holding" is defined as a party or parties acting in concert that have: (i) jointly acquired 40% of the voting rights in the company; (ii) under an agreement with other shareholders of the company, acquired rights to control at least 40% of the voting rights in the company; or (iii) obtained the right to appoint or remove majority of members of the company's board of directors.

Parties are considered to be acting in concert if they have

made an agreement concerning that one or more persons together will gain a dominant position in a company, or an agreement to prevent a takeover, whether such an agreement is formal or informal, written, oral or otherwise made.

Parties are always considered to be acting in concert when the following relationship exists, unless the opposite is demonstrated:

- Couples and their children under the age of 18 years and companies under their control.
- Relationships between parties that result in direct or indirect control of one party over another, or if two or more companies are controlled by the same party.
- Companies owned by parties listed in paragraphs 1, 2 and 4 that directly or indirectly own major holdings in, or have established relationships with, such companies that allows them to influence their business. Major holdings in this context are considered to be one-third of the voting rights in a company.
- A relationship between a company and members of its board of directors and a relationship between a company and its managing director or companies that they control.

A party that is obliged to issue a takeover bid must prepare a summary of the bid in accordance to the provisions of the Act.

The price offered in a mandatory takeover bid must correspond at least to the highest price that the bidder has paid for the shares acquired over the past six months before making the bid. The price offered must, however, be at least equal to or higher than the trading price of the shares on the day before the duty to issue the takeover bid arose. Payment for the bid can only be offered in cash or voting shares. If the voting shares are not listed on a regulated securities market, cash must always be offered at least as an option.

The Financial Supervisory Authority regulates takeovers. However, at the same time as the new takeover provisions of the Act came into force (July 1 2005), a takeover panel was created. The objective of setting up the takeover panel is to strengthen the equity market by resolving, wherever possible, questions of uncertainty in connection with takeovers. The panel is to some extent modelled on arrangements in the UK.

The takeover panel is set up by agreement but not by law. Its founders are the Iceland Stock Exchange, associations of market participants, the Financial Supervisory Authority, the Central Bank of Iceland, the Icelandic Chamber of Commerce and the Ministry of Commerce. The agreement creating the panel is valid for three years, and a decision on its continuation will be taken in light of the experience gained from its work.

## Banking

### Recommended firms

Tier 1

**Lex-Nestor Law Offices**

**Logos Legal Services**

Tier 2

**AM Praxis**

**Jonsson & Hall**

**Landslog Law Offices**

**Landwell**

**LM Attorneys**

## Capital markets

### Recommended firms

Tier 1

**Jonsson & Hall**

**Landwell**

**Lex-Nestor Law Offices**

**Logos Legal Services**

Tier 2

**AM Praxis**

**Landslog Law Offices**

**LM Attorneys**

## Mergers and acquisitions

### Recommended firms

Tier 1

**Lex-Nestor Law Offices**

**Logos Legal Services**

Tier 2

**AM Praxis**

**Jonsson & Hall**

**Landslog Law Offices**

**Landwell**

**LM Attorneys**

Tier 3

**Fulltingi Legal Services**

**Reykjavik Law Firm**

### AM Praxis

The well-established law firm of AM Praxis is described by the market as a “respectable and reputable” outfit. This medium-sized firm has a solid team of five partners and four associates; among these, partner Thórarinn Thórarinsson has by far the greatest reputation and is praised as maintaining a “high profile in the Icelandic legal market”. Thórarinsson is also a former director of the Icelandic Telecommunications Corporation and managing director of the Federation of Icelandic Employers.

AM Praxis provides excellent legal advice to local and international banks, property developers and insurance companies.

Recent deals include advising a leading Italian firm on the construction of a large hydroelectric dam in Iceland.

### Leading lawyer

Thórarinn Thórarinsson

### Key contact partner

Hróbjartur Jónatansson

### Jonsson & Hall

Described by market observers as a law firm with a “particularly strong litigation and labour law practice,” Jonsson & Hall is also one of Iceland’s safest choices for quality corporate and commercial legal advice. The firm’s reputation and expertise attracts high quality clients, including Fortune 500 companies, international banks, government ministries and institutions such as Shell Iceland and Opin Kerfi (Hewlett Packard’s subsidiary in Iceland). The firm is a member of the State Capital Global Law Firm Group professional legal network.

Jonsson & Hall’s robust team of 10 lawyers grew recently, with three new lawyers joining the firm, including partner Einar Thor Sverrisson. Name partner Gunnar Jonsson is also the president of the Icelandic Bar Association, and is cited by one top practitioner as a “very experienced” lawyer. The firm’s rising star is Hordur Hordur Felix Hardarson. Hardarson was involved in the merger of shipping companies Geest Line and Samskip, which will create Europe’s largest intra-European intermodal/shortsea container shipping network.

### Leading lawyers

Gestur Jonsson

Gunnar Jonsson

### Key contact partner

Gunnar Jonsson

### Landslog Law Offices

The “highly respected” Landslog Law Offices is one of the most respected outfits in Iceland, and peers note that it handles “a lot of work for the government”. The firm boasts a team of “very good lawyers,” consisting of five partners and three associates, of which the “very respected” Jon Svenisson has by far the highest profile and reputation. Svenisson was a former assistant to the prime minister of Iceland, chairman of the Commission of Foreign investment in Iceland and a member of the Commission of Privatization in Iceland. Johannes Karl Svenisson is also singled out by the market as a “very capable lawyer”.

Landslog Law Office has well-established relationships with some of most desirable public and private sector clients, including the largest Icelandic construction firm, Iceland Prime Contractor, the leading pharmaceuticals provider, Lyfja, the national power corporation, Landsvirkjun, retailer Samkaup, the Savings Bank of Keflavik, manufacturer of prosthetics and orthotics Ossur, MSD (Europe), Merck International, Invest in Iceland Agency and IceTec.

**Leading lawyers**

Jon Svenisson  
Johannes Svenisson

**Landwell**

The “reputable” and “very capable” law firm of Landwell has a talented team of three partners and three associates, including the well-regarded and knowledgeable Asgeir Ragnarsson and Baldvin Haraldsson, a practitioner one peer describes as “without doubt one of Iceland’s leading lawyers”. Although smaller in size than some of its competitors, Landwell enjoys a healthy corporate and finance deal flow, and one client believes the firm “could become closer” to its larger rivals firms “if given the right resources and capacity.”

Landwell continues to attract high-quality clients such as Bank of Scotland, Landsbanki Íslands, Kaupthing Bank, Straumur Investment Bank, and Austurhofn. In banking and finance, the firm has advised on a slew of deals over the past year. Among these, Asgeir Ragnarsson acted for Kaupthing Bank and the Bank of Scotland on the €290 million (\$350 million) loan to leading Icelandic seafood company the SIF Group, and also advised Kaupthing Bank on the €70 million financing of the spin-off of the trading part of the SIF Group into a new company. In December 2004 Ragnarsson was busy again, representing Kaupthing Bank on another loan facility, this time for €90 million, granted to Icelandic pharmaceutical company Invent Farma for its acquisition of two pharmaceutical companies in Barcelona from Procter & Gamble. At the time of writing, Baldvin Haraldsson was representing Austurhofn-TR, a joint venture company of the Icelandic state and the city of Reykjavik, on a project finance initiative (PFI) to develop a hotel, conference hall and concert hall complex in Reykjavik.

Landwell’s highly recommended capital markets practice has had an outstanding year, and it is because of this that it gains promotion to the top tier. Among the many highlights, Baldvin Bjorn Haraldsson represented SIF Group on a €230 million public offering of shares on the Iceland stock exchange, and Asgeir Ragnarsson advised Landsbanki Íslands and the Delaware firm Strax Holding on a private placement of shares and bonds that closed in September 2004. Other deal highlights saw the firm acting for international food producer Bakkavor on several bond issues that were listed on the Iceland stock exchange, and providing legal counsel to Kaupthing Bank on several share and bond issues.

A successful year in mergers and acquisition has also seen an abundant volume of high-end work for the firm. Baldvin Haraldsson, Kari Kjartansson and Gudrun Bergsteinsdottir acted for the SIF Group and Kaupthing Bank on the €322 million acquisition of French food company Labeyrie. In December 2004, Landwell advised SIF Group again, this time on its €55 million sale of Iceland Seafood Corporation in the US. In another notable deal, Baldvin Haraldsson and Einar Árnason acted for Landsbanki Íslands, Straumur Investment Bank and Iceland Telecom on a joint venture purchase of Czech telecommunication company Ceske Radiokomunikace. Other deals saw the firm advising another large Icelandic seafood company,

Fram Foods, on the transfer of its Chilean businesses from France to Denmark, and undertaking a due diligence report for the State Privatization Committee on the sale of Iceland Telecom.

**Leading lawyers**

Baldvin Haraldsson  
Asgeir Ragnarsson

**Key contact partners**

Einar Árnason  
Baldvin Haraldsson  
Asgeir Ragnarsson

**Lex-Nestor Law Offices**

Since the last edition of the *IFLR 1000*, Lex Law Offices, “one of the largest and most reputable law firms,” has merged with fellow Icelandic law firm Nestor Logmenn; the new entity is called Lex-Nestor Law Offices. In terms of personnel, there has been a slight change since the last year. The “very capable” Birgir Mar Ragnarsson has recently left the firm and the highly able Adalsteinn Jonasson has moved in-house to become the director of Straumur Investment Bank’s legal department. Still, Lex-Nestor Law Offices’ personnel does not stop with Ragnarsson and Jonasson, and the firm’s quality team of 14 partners and 16 associates continues to do high-quality work. The market praises Karl Axelsson and Helgi Jóhannesson for their expertise.

Described by one rival practitioner as “extremely active on the banking and corporate side,” Lex-Nestor Law Offices has an impressive list of international and domestic clients, including Deutsche Bank, Royal Bank of Scotland, BNP Paribas, Fortis Bank, Bechtel International, Shell Iceland, Kaupthing Bank and Landsbanki Íslands.

The firm’s robust finance practice has had another busy 12 months. In one standout deal it advised the lead arrangers Kaupthing Bank and Landsbanki Íslands on a \$365 million syndicated loan to leading aluminium firm Nordurál. Lex-Nestor’s other deal highlights included acting for Deutsche Bank on the Housing Financing Fund’s IKr1 billion (\$15.1 million) note issue that was listed on the Iceland stock exchange, guiding Straumur through its application to the Financial Service Authority to transfer its status from an investment fund to an investment bank, and advising Icelandic retailer Hagar on its sale of the Lyfja pharmaceutical retail store chain.

**Leading lawyers**

Karl Axelsson  
Helgi Jóhannesson

**Key contact partner**

Helgi Jóhannesson

**LM Attorneys**

The market recommends LM Attorneys particularly for its expertise in handling IT and intellectual property matters. But

it is perfectly capable of handling corporate and financial work as well, and one peer even suggests that the firm might be a future contender for a top-tier place.

Although the practice is small in comparison to its heavy-weight competitors, the firm's five-lawyer team is a talented one; partner Kristján Thórbergsson is singled out by peers and clients as a "very good" and "highly rated" lawyer. The firm boasts an excellent client list that includes Skyr and the Icelandic national broadcaster, Ríkisráðgjafi RUV.

#### Leading lawyer

Kristján Thórbergsson

#### Logos Legal Services

With its "broad capacity in corporate transactions," Logos Legal Services is without doubt one of Iceland's leading and best-established law firms. Among the solid team of 11 partners and 18 associates, the experienced managing partner Gunnar Sturluson is cited as being "heavily involved" in the top deals that reach the market. Others singled out by commentators are Pétur Gudmundarson, Jakob Möller, Helga Óttarsdóttir and Óttar Pálsson, all of who come in for praise for their experience and expertise. The firm recently consolidated its sizeable team with three new associates. Logos Legal Services can also tap into the international law firm fraternity as a result of it being the exclusive Icelandic member of two professional legal networks, Lex Mundi and TerraLex.

The quality of the firm's advice attracts some of the most desirable local and international clients in the market, including Deutsche Bank, Landsbanki Íslands, Kaupthing Bank, Iceland Telecom and Burdaras. In banking and finance the firm recently advised on a \$365 million syndicate loan from two major Icelandic banks (Kaupthing Bank and Landsbanki Íslands) to leading aluminium firm Nordurál. Gunnar Sturluson, Helga Óttarsdóttir and Óttar Pálsson acted for international pharmaceuticals company Acavis on its prospective listing on the London Stock Exchange, and Jakob Möller and Óttar Pálsson represented Deutsche Bank in connection with due diligence matters for KB Bank's share issue.

In mergers and acquisitions, meanwhile, Gunnar Sturluson and Óttar Pálsson advised international airline Icelandair on its Ikr3.8 billion (\$57.5 million) purchase of Icelandic cargo airline Bluebird Cargo in February 2005, Árni Vilhjálmsson acted for aluminium firm Nordurál on the sale and purchase agreement relating to a transfer of ownership matter. At the time of writing the firm is advising the State Privatization Committee (in cooperation with Morgan Stanley) on the privatization of Iceland Telecom.

#### Leading lawyers

Pétur Gudmundarson  
Jakob Möller  
Helga Óttarsdóttir  
Óttar Pálsson  
Gunnar Sturluson

#### Key contact partners

Pétur Gudmundarson  
Helga Óttarsdóttir  
Jakob Möller  
Óttar Pálsson  
Gunnar Sturluson

#### Other notable firms

Set up in 2001, **Fulltingi Legal Services** has grown quickly over the past few years to a team of three partners and nine associates. In August 2004 the firm recruited associate Jón Ogmundsson from AM Praxis. Fulltingi has a robust corporate practice that has been involved in some major deals over the past year. Among these, it assisted Century Aluminum on its \$60 million buyout of Columbia Ventures' shares in Nordural, and represented the Iceland Seafood Group on the purchase of most of the shares in Iceland Seafood International, an affiliated company of the SIF Group.

**Reykjavik Law Firm** is considered an upcoming law firm in Iceland that offers legal services across a wide range of financial law areas, including corporate and commercial, mergers, acquisitions and intellectual property. The seven-lawyer firm benefits from its membership of the professional legal network, the Association of European Lawyers. Reykjavik Law Firm boasts an excellent domestic client list that includes Nyherji, the shipping company Samskip, the leasing companies SP Finance and Glitnir Finance, the car importer Brimborg and the brewery Egill Skallagrímsson. Among its list of international clients, none comes more high-profile than Microsoft.