

APPENDIX 2 TO ANNEX XI

REFERRED TO IN ARTICLE 5.11 (RESERVATIONS)

RESERVATIONS BY ICELAND

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Sector:	All sectors
Sub-sector:	
Legal source or authority of the measure:	Law No. 138/1994 Respecting Private Limited Companies, Law No. 2/1995 Respecting Public Limited Companies, Law No. 34/1991 on Investment by Non-Residents in Business Enterprises.
Succinct description of the measure:	The majority of the founders of a private limited company or a public limited company must either be resident in Iceland, in another member state of the European Economic Area, in another member state of the European Free Trade Association or in the Faroe Islands. The Minister of Commerce can grant exemptions from these restrictions. The manager(s) and at least half the board of directors of a private limited company or a public limited company must either be resident in Iceland, in another member state of the European Economic Area, in another member state of the European Free Trade Association or in the Faroe Islands. The Minister of Commerce can grant exemptions from these restrictions.
Purpose or motivation of the measure:	To secure that the legal venue of the majority of the board of directors and managers is within Icelandic jurisdiction.

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Sector:	All sectors
Sub-sector:	
Legal source or authority of the measure:	Law No. 19/1966 on the Right to Own and Use Real Estate, Law No. 34/1991 on Investment by Non-Residents in Business Enterprises.
Succinct description of the measure:	Only Icelandic citizens and Icelandic legal entities and citizens and legal entities from another member state of the European Economic Area, another member state of the European Free Trade Association or from the Faroe Islands are allowed to own real estate in Iceland unless the ownership and use is linked to an investment in real estate pertaining to the business activity of the investor. The same applies to the hiring of a real estate if the duration of the lease lasts for more than three years. These restrictions do not apply to a non-EEA citizen who has been residing in Iceland for at least five years. The Minister of Justice can grant exemptions from these restrictions.
Purpose or motivation of the measure:	Fluctuations in real estate prices due to possible excess foreign demand can adversely affect the domestic market for housing and summer houses (secondary homes).

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Sector:	Fisheries
Sub-sector:	Fishing, whaling
Legal source or authority of the measure:	Law No. 22/1998 on the Fishing and Fish processing of Foreign Vessels in Iceland's Economic Zone, Law No. 34/1991 on Investment by Non-Residents in Business Enterprises, Law No. 26/1949 on Whaling.
Succinct description of the measure:	Only the following may conduct fishing operations within the Icelandic fisheries jurisdiction: (a) Icelandic citizens and other Icelandic persons. (b) Icelandic legal persons which are wholly owned by Icelandic persons or Icelandic legal persons which: (i) are controlled by Icelandic entities; (ii) are not under more than 25% ownership of foreign residents calculated on the basis of share capital or initial capital. However, if the share of an Icelandic legal person in a legal person conducting fishing operations in the Icelandic fisheries jurisdiction or fish processing in Iceland is not above 5%, the share of the foreign resident may be up to 33%; (iii) are in other respects under the ownership of Icelandic citizens or Icelandic legal persons controlled by Icelandic persons.
Purpose or motivation of the measure:	The relative economic importance of the fishing industry for Iceland, with fish and fish products constituting around half of the country's foreign earnings, as well as Iceland's determination to maintain a sustainable yield from its fishing stocks. The control and surveillance regarding the preservation of Icelandic fish stocks needs to be under Icelandic jurisdiction.

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Sector:	Fisheries
Sub-sector:	Fish Processing
Legal source or authority of the measure:	Law No. 34/1991 on Investment by Non-Residents in Business Enterprises.
Succinct description of the measure:	Only the following may own or run enterprises engaged in fish processing in Iceland: (a) Icelandic citizens and other Icelandic persons. (b) Icelandic legal persons which are wholly owned by Icelandic persons or Icelandic legal persons which: (i) are controlled by Icelandic entities; (ii) are not under more than 25% ownership of foreign residents calculated on the basis of share capital or initial capital. However, if the share of an Icelandic legal person in a legal person conducting fishing operations in the Icelandic fisheries jurisdiction or fish processing in Iceland is not above 5%, the share of the foreign resident may be up to 33%; (iii) are in other respects under the ownership of Icelandic citizens or Icelandic legal persons controlled by Icelandic persons. Fish processing in this context is freezing, salting, drying and any other process used to initially preserve fish and fish products, including melting and meal processing. This reservation does not apply to secondary fish processing.
Purpose or motivation of the measure:	The reservation on fish processing is an integral part of retaining control in the field of fishing and whaling. The relative economic importance of the fishing industry for Iceland, with fish and fish products constituting around half of the country's foreign earnings, as well as Iceland's determination to maintain a sustained yield from its fishing stocks. The control and surveillance regarding the preservation of Icelandic fish stocks needs to be under Icelandic jurisdiction.

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Sector:	Fisheries
Subsector:	Fish Auctioning
Legal source or authority of the measure:	Law No. 79/2005 on the Auctioning of Fish
Succinct description of the measure:	Only Icelandic citizens and Icelandic legal entities and citizens and legal entities from another member state of the European Economic Area, from another member state of the European Free Trade Association or from the Faroe Islands are allowed to own and manage enterprises engaged in fish auctioning in Iceland.
Purpose or motivation of the measure:	The reservation on fish auctioning is an integral part of retaining control in the field of fishing and whaling. The relative economic importance of the fishing industry for Iceland, with fish and fish products constituting around half of the country's foreign earnings, as well as Iceland's determination to maintain a sustained yield from its fishing stocks. The control and surveillance regarding the preservation of Icelandic fish stocks needs to be under Icelandic jurisdiction.

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Sector:	Energy
Sub-sector:	Energy production and distribution
Legal source or authority of the measure:	Law No. 34/1991 on Investment by Non-Residents in Business Enterprises
Succinct description of the measure:	Only Icelandic citizens and legal entities, and citizens and legal entities from another member state of the European Economic Area, from another member state of the European Free Trade Association or from the Faroe Islands, can own the right to harness hydroelectric and geothermal power other than for own personal home use. The same applies to investment in enterprises engaged in power production and power distribution.
Purpose or Motivation of the Measure:	Apart from the fish stock, hydroelectric power and geothermal power are Iceland's most important natural resources. Their utilisation needs to be centrally administered through licensing and co-generation agreements. The power production and power distribution are public utilities which to a large degree operate as public monopolies.