



INVESTIGATIONS

THE COLLAPSE OF THE BANKING SECTOR IN ICELAND

The Icelandic government is committed to a full and comprehensive investigation of the events that led to the downfall of the three largest Icelandic banks in October 2008. Rigorous measures have been taken in close cooperation with authorities in other countries and renowned international experts to ensure that possible wrongdoings related to the collapse of the Icelandic banking sector are thoroughly investigated and prosecuted.

LATEST DEVELOPMENTS

- The Special Prosecutor's investigations reached a new stage in May 2010 when the first members of Kaupthing's senior management were brought in for questioning. Three of them, including its former CEO, were sentenced to 12 days in custody and are subsequently prevented from leaving the country, while an international arrest warrant has been issued for the former Chairman of its board resident in London. According to the press, these are suspected to be guilty of embezzlement, forging documents and to have committed various violations of the law on stock trading. Some 20 Kaupthing employees have been interrogated further on suspicion of criminal activities.
- The winding-up committee of Glitnir Bank has filed a lawsuit in New York against seven Glitnir Bank investors and executives for conspiring to snatch control of USD 2 billion to benefit their own companies.
- The Government of Iceland has approved to triple the number of employees at the OSP to around 80, and decided on its budget until 2014 when the investigation is expected to be concluded.

THE OFFICE OF THE SPECIAL PROSECUTOR (OSP)

- The OSP was established in late 2008 and granted wide ranging powers. It investigates criminal conduct and brings forward prosecutions in connection with the collapse of the Icelandic commercial banks.
- The OSP has conducted around 50 dawn-raids, interrogated some 170 persons and is processing some 60 cases, of which 17 have been dismissed or referred elsewhere. The remaining 43 cases are complex and concern considerable financial interests. They concern fraud, market manipulation, insider trading and potential violations of acts regulating financial undertakings and limited liability companies.
- The OSP enjoys the assistance of various individuals and agencies, including the Norwegian-French former investigative magistrate Mrs. Eva Joly, MEP, renowned for her investigation and rulings in the Elf-case in France. The Special Prosecutor also cooperates with Europol HQ in The Hague, the Serious Fraud Office in the UK and authorities in Luxembourg.
- In January and February 2010, the OSP carried out raids in the UK and in Luxembourg. The raids were carried out in cooperation with the Serious Fraud Office in the UK and large number of officials in Luxembourg. The scope of the investigation into the Icelandic banking crisis has widened beyond Iceland and closer collaboration with international authorities has resulted in concrete measures being taken.

THE SPECIAL INVESTIGATION COMMISSION (SIC)

- The SIC was established by the Icelandic parliament to collect information, find facts and provide an overview of the main events leading to the fall of the Icelandic banks and identify its causes.
- The SIC's investigation was concluded with a report made public on 12 April 2010. The printed version of the report covers more than 2000 pages in 9 volumes. The report is also available on-line with additional appendixes. The main conclusions together with an executive summary have been translated into English and made available on the following web-site: <http://sic.althingi.is/>
Please, see separate factsheet on main conclusions of the SIC's report.
- The Commission was chaired by a Supreme Court Justice with two other members. They were assisted by full and part time staff of up to 50 experts.
- More than 300 persons provided information to the Commission and more than 140 persons appeared before it in a formal hearing. The SIC had wide powers to collect information, including the power to search all premises, to seize evidence considered necessary for the purposes of its investigation and to subpoena witnesses. Any suspicions of criminal conduct arising during the SIC's investigations have been notified to the Prosecutor General who will then review the relevant matters further with regard to possible criminal prosecutions.
- The Icelandic government has appointed a commission of independent experts to make further recommendations as to how the government and governmental institutions should respond to the report.
- Althingi, the Icelandic Parliament, has also established an ad hoc Parliamentary Review Committee (PRC) to scrutinize and follow up on the report. The PRC is composed of nine

members of Parliament representing all the parliamentary party groups and is supposed to submit a report to the Althingi in September 2010. The PRC's main role is to prepare Parliament's response to the conclusions drawn by the SIC and i.a. to take a position, based on the SIC report, on ministerial responsibility in the run-up to the crisis.

THE ICELANDIC FINANCIAL SUPERVISORY AUTHORITY

- The Icelandic Financial Supervisory Authority (FME) has referred more than 30 cases to the OSP based on its investigations into insider trading, foreign exchange transactions, marketing and investments of money market funds, market manipulation and loan procedures.

THE RESOLUTION COMMITTEES/WINDING-UP BOARDS

- The Resolution Committees/Winding-up Boards of the old banks have all hired forensic auditors, amongst them international experts from Deloitte, PwC and Kroll, to conduct a forensic audit and various other exercises in asset recovery at an international level.
- They are investigating measures taken by the respective banks before they were granted a moratorium, focusing particularly on the possible rescission, on the basis of the Icelandic bankruptcy act, of measures taken by a bankrupt party.