

Friday, 28 October 2011

No. 314/2011.

Arrowgrass Distressed Opportunities Fund Limited

Arrowgrass Master Fund Ltd.

CIG & Co Conseq Invest plc

Conseq Investment Management AS

CVI GVF (Lux) Master S. à r. l.

Fondo Latinoamericano de Reservas (F.L.A.R)

GLG European Distressed Fund

GLG Market Neutral Fund

ING Life Insurance and Annuity

ING USA Annuity and Life Insurance Co.

LMN Finance Ltd.

Lyxor/Third Point Fund Limited

Monumental Life Insurance Company

National Bank of Egypt (UK) Limited

Ohio National Life Assurance Corporation

PHL Variable Insurance Company

Phoenix Life Insurance Company

Reliastar Life Insurance Company

Security Life of Denver Insurance

Sun Life Assurance Company of Canada

Third Point Partners LP (US)

Third Point Offshore Master Fund LP

Third Point Partners Qualified LP

Third Point Ultra Master Fund LP (Cayman)

Värde Fund LP

Värde Fund V-B LP

Värde Fund VI-A LP

Värde Fund VII-B LP

The Värde Fund VIII LP

The Värde Fund IX LP/The Värde Fund IX-A LP

Värde Investment Partners (Offshore) Master LP

(Ragnar Aðalsteinsson, Supreme Court attorney)

Bayerische Landesbank
Bremer Landesbank
Commerzbank AG
Commerzbank International SA
Erste Europäische Pfandbrief- und Kommunalkreditbank AG
Eurohypo AG
DekaBank Deutsche Girozentrale
DekaBank Deutsche Girozentrale Luxembourg SA
Deutsche Postbank International SA
Düsseldorfer Hypothekenbank AG
DZ BANK AG Deutsche Zentral Genossenschaftsbank
Landesbank Baden-Württemberg
LBBW Luxembourg SA
Deutsche Hypothekenbank AG
Raiffeisenbank International AG
Österreichische Volksbanken AG
Sparkasse Oberhessen
Taunus-Sparkasse
Sparkasse Pforzheim Calw
Sparkasse-Jena-Saale-Holzland
Sparkasse Hannover
Nassauische Sparkasse
Anstalt des öffentlichen Rechts
Kreissparkasse Peine
Die Sparkasse Bremen AG
Sparkasse Oder-Spree
(Arnar Þór Jónsson, Supreme Court attorney)
Deutsche Bank Trust Company Americas and
(Eyvindur Sólnes, Supreme Court Attorney)
Landsbanki Guernsey Ltd.
(Gunnar Jónsson, Supreme Court attorney)
v
Landsbanki Íslands hf. and

(Kristinn Bjarnason, Supreme Court attorney)

Norfolk County Council

(Ólafur Eiríksson, Supreme Court attorney)

Appeal. Financial undertakings. Winding-up. Priority of claim. Priority claim. Deposit. Loan contract. Constitution. Property rights. Retroactivity. Non-discrimination. Proportionality. European Convention on Human Rights. Limits of legal applicability. Contractual interest. Dissenting opinion.

A and others appealed a Ruling by the Reykjavík District Court where a claim of the UK local authority N was deemed to be a deposit and recognised as a priority claim with reference to Art. 112 of Act No. 21/1991, on Bankruptcy etc., in the winding-up of the bank LÍ hf. The claim was recognised with contractual interest from 27 April 2007 to 21 April 2009, net of interest in the amount of GBP 295,108.22 [paid] on 27 April 2008. The plaintiffs based their case on various premises, among them that they had suffered losses resulting from the adoption of Act No. 125/2008, on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc., and that provisions in this Act were in violation of the Constitution of Iceland and specifically cited international conventions to which Iceland had acceded. On this aspect, the Supreme Court's verdict stated that this case and ten additional cases tested the constitutionality of Art. 6 of Act No. 125/2008. In one of these cases, Supreme Court Case no. 340/2011, the plaintiffs based their case on the same premises as was done in this case concerning the flaws in Act No. 125/2008; a verdict had been pronounced in this case earlier that same day. Section II of the above-mentioned Supreme Court verdict gave an account of the substance of Act No. 125/2008, quoting Art. 6 thereof, which was disputed in particular by the parties and which had altered the order of ranking of claims upon the winding-up of financial undertakings, making deposit claims priority claims with reference to Art. 112 of Act No. 21/1991. This same section of the verdict described the takeover by the Financial Supervisory Authority of the country's three largest commercial banks directly following the adoption of the Act, including the defendant LÍ hf., and the establishment of new banks on the basis of the older ones. Finally, this section of the verdict explained the views of the plaintiffs regarding the constitutional flaws of Act No. 125/2008 which should result in its being disregarded in resolving this case together with the opposing views of the defendants in the case, who were of the opinion that the Act complied both with the Icelandic Constitution and international agreements to which Iceland had acceded. Section III of the above-mentioned verdict gave an account of the interpretative sources for the Bill which had become Act No. 125/2008, to the extent this was relevant for resolution of the parties' dispute. It furthermore explained that at the end of 2008, Act No. 142/2008, on Investigation of the Causes of and Events Leading to the Collapse of the Icelandic Banks in 2008 and Related Events, had been adopted, and those conclusions of the parliamentary Special Investigation Commission which were of significance here. Section IV of the above-mentioned verdict then resolved the dispute on the constitutionality of Act No. 125/2008, rejecting the plaintiffs' contentions that the Act violated the Constitution and international agreements. The discussion in sections II and III of the Supreme Court's verdict in case no. 340/2011 applied equally in the case to be resolved here, as did

furthermore the conclusions in section IV of the verdict. General considerations discussed there also applied in this case. Accordingly, the plaintiffs' contentions in this case, that the Act did not comply with the Constitution and international agreements, were rejected.

The Supreme Court next turned to the question of whether the transaction of N and LÍ hf. could be regarded as a deposit in the sense of Act No. 98/1999, on Deposit Guarantees and an Investor-Compensation Scheme. According to the third paragraph of Article 102 of Act No. 161/2002, on Financial Undertakings, the same rules shall apply to the winding-up of a financial undertaking as apply to the priority of claims against an insolvent estate. However, claims for deposits, as provided for in Act No. 98/1999, enjoy priority with reference to the first and second paragraphs of Article 112 of Act No. 21/1991. A deposit as referred to in the first paragraph of Article 9 of Act No. 98/1999, was according to the third paragraph of the provision [sic] any credit balance resulting from financial deposits or transfers in normal banking transactions, which a commercial bank or savings bank is under obligation to refund under existing legal or contractual terms. The Supreme Court then described the legal relationship between the local authority and LÍ hf. in connection with those funds that the local authority had placed with the bank and the Court concluded that, in accordance with what was presented there and in other respects with reference to the premises of the appealed Ruling, the conclusion of the Ruling should be upheld, that the local authority had a deposit with the bank which should be regarded as a deposit in accordance with the third paragraph of Article 9 of Act No. 98/1999, and that this deposit should enjoy guarantee protection as provided for by that Act. As a result, the claim lodged by the local authority should enjoy priority with reference to Art. 112 of Act No. 21/1991 in the bank's winding-up. Also with reference to the premises of the Supreme Court's verdict in case no. 340/2011, as well as to the premises of the appealed Ruling, the conclusion was accepted in this case that the minimum deposit guarantee provided for in the first paragraph of Article 10 of Act No. 98/1999, made no difference to the fact that the insured deposit in its entirety enjoyed priority with reference to Art. 112 of Act No. 21/1991. In accordance with all of the above, the outcome of the case was that N's claim in the amount of ISK 1,010,713,733 was recognised with priority with reference to Art. 112 of Act No. 21/1991.

Supreme Court Verdict

This case is judged by Supreme Court Judges Ingibjörg Benediksdóttir, Garðar Gíslason, Gunnlaugur Claessen, Jón Steinar Gunnlaugsson and Þorgeir Örlygsson, and Eggert Óskarsson, District Court Judge, and Hjördís Hákonardóttir, former Supreme Court Judge.

The plaintiffs referred the case to the Supreme Court in appeals of 15 April 2011, received by the Court together with appeal documents on 18 May that same year. Appealed is a Ruling of the Reykjavík District Court of 1 April 2011, recognising a claim of the defendant, Norfolk County Council, in the amount of GBP 5,000,000, plus contractual interest of 5.87% from 27 April 2007 up until and including 21 April 2009, less interest paid in the amount of GBP 295,108.22 on 27 April 2008, as a priority claim in the winding-up of the defendant

Landsbanki Íslands hf., with reference to Art. 112 of Act No. 21/1991, on Bankruptcy etc. Grounds for appeal are found in the first paragraph of Art. 179 of the same Act.

The plaintiff Arrowgrass Distressed Opportunities Fund Limited, together with 32 others in the same group, demands that the claim of the defendant Norfolk County Council, lodged in the amount of ISK 1,013,833,462, be rejected as a priority claim with reference to the first paragraph of Art. 112 of Act No. 21/1991 in the winding-up of the defendant Landsbanki Íslands hf. Alternately, it is demanded that, if it is accepted that some portion of the claim should enjoy priority, then this amount should be a maximum of EUR 20,887. Failing this, it is demanded that the claim of the defendant Norfolk County Council, that accrued interest on the claim enjoy priority with reference to Art. 112 of Act No. 21/1991, be rejected. Finally the plaintiff demands payment of court costs before the District Court and appeal costs.

The plaintiff Bayerische Landesbank and 24 others in the same group make the same demands as the plaintiff Arrowgrass Distressed Opportunities Fund Limited et al. as referred to previously, with the exception that it is demanded that the local authority's claims, for interest accruing on the claim after 6 October 2008 to enjoy priority with reference to the above-mentioned statutory provision, be rejected.

The plaintiff Deutsche Bank Trust Company Americas demands that the District Court's conclusion that the claim of the defendant Norfolk County Council enjoy priority with reference to Art. 112 of Act No. 21/1991, be overturned. It also demands payment of court costs before the District Court and appeal costs.

The plaintiff Landsbanki Guernsey Ltd. demands principally that the appealed Ruling be altered so that the claim by the defendant Norfolk County Council is recognised as a general claim with reference to Art. 113 of Act No. 21/1991 in the winding-up of the defendant Landsbanki Íslands hf., and alternately that it be recognised only as a priority claim with reference to Art. 112 of Act No. 21/1991 to a maximum of EUR 20,887. It also demands payment of court costs before the District Court and appeal costs.

The defendant Landsbanki Íslands hf. demands that the appealed Ruling be upheld. Furthermore, it demands that appeal costs be cancelled.

The defendant Norfolk County Council demands that the appealed Ruling be upheld and the claims of the plaintiffs rejected. It also demands payment of appeal costs.

Before the District Court the plaintiffs Arrowgrass Distressed Opportunities Fund Limited et al. and Bayerische Landesbank et al. demanded that subparagraph a of the principal claim of the defendant Norfolk County Council be dismissed by the District Court. The District

Court's premises for the appealed Ruling rejected this claim, but in the appeals of these plaintiffs to the Supreme Court this claim was still made. In letters to the Supreme Court of 25 August 2011 this claim was withdrawn and the conclusion of the District Court on this point will not therefore be treated by this Court.

I.

According to an authorisation in Article 100 a of Act No. 161/2002, on Financial Undertakings, cf. Art. 5 of Act No. 125/2008, on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc., on 7 October 2008 the Financial Supervisory Authority took over the power of the shareholders' meeting of the defendant Landsbanki Íslands hf., dismissed its Board of Directors and appointed it a Resolution Committee. Thereafter the bank was granted a moratorium with a ruling of the Reykjavík District Court on 5 December that same year. Adoption of Act No. 44/2009, which amended several provisions of the above-mentioned Acts, placed the bank in winding-up, with its commencement dated to 22 April 2009, when the Act came into force. On the 29th of that same month the Reykjavík District Court appointed a Winding-up Board for the bank which handles, among other things, processing of claims against the bank. The Winding-up Board issued an invitation to the company's creditors to lodge claims on 30 April 2009; the deadline for lodging claims was 30 October that same year. A large number of parties lodged their claims as a result, among them the plaintiffs in this case or in some instances creditors from whom the plaintiffs subsequently acquired their rights. The claims of almost all of these parties, furthermore, shared the status of general claims, as referred to in Art. 113 of Act No. 21/1991. In by far the greatest number of instances, the plaintiffs are international financial undertakings, which hold bonds and other securities issued by the defendant Landsbanki Íslands hf. There have been some changes to the original group of plaintiffs in this case as several of them withdrew from the action when the case was being heard by the District Court.

The defendant Norfolk County Council, which is a local authority in the UK, demanded from the Winding-up Board that the principal of its claim in the amount of GBP 5,000,000 be recognised as a priority claim with reference to Art. 112 of Act No. 21/1991, plus 5.87% contractual interest for the period from 27 April 2007 up until and including 22 April 2009, less payment of interest on 27 April 2008, in total GBP 289,479.45. Finally, the local authority demanded payment of cost amounting to GBP 1,760.41, which the claim had accrued until 22 April 2009, and that this cost be recognised as a priority claim.

Following the expiration of the time limit for lodging claims, the Winding-up Board of Landsbanki Íslands hf. announced its decisions on individual claims. As explained in the appealed Ruling, the Winding-up Board recognised the principal of the local authority's claim as a priority claim with reference to Art. 112 of Act No. 21/1991, as well as contractual interest until the agreed date of payment, totalling GBP 5,289,479.45, but rejected other aspects of the claim or did not make a decision on them. The local authority objected to this decision by the Winding-up Board and demanded that the claim be recognised in full as lodged. The plaintiffs and others who had lodged claims objected to the Winding-up Board's decision on recognising the priority ranking of the claim with reference to the statutory provision cited above. Thereafter the Winding-up Board attempted to resolve the dispute without success. It thereupon referred the case to the Reykjavík District Court in a letter of 23 February 2010, with reference to the second paragraph of Art. 120, cf. Art. 171 of Act No. 21/1991. As mentioned above, the Ruling of the Reykjavík District Court of 1 April 2011 recognised the claim of the local authority in the amount of GBP 5,000,000, plus contractual interest of 5.87% from 27 April 2007 up until and including 21 April 2009, less interest paid in the amount of GBP 295,108.22 on 27 April 2008, as a priority claim with reference to Art. 112 of Act No. 21/1991 in the winding-up of the defendant Landsbanki Íslands hf. Court costs of the District Court and were waived.

The above explains the appeal of the plaintiffs in the case and the claims of the plaintiffs and defendants. As mentioned previously, part of the plaintiffs in the District Court case appealed the Ruling to the Supreme Court, demanding among other things a review of the District Court's conclusion to reject the claim for court costs from Landsbanki Íslands hf. The defendant Norfolk County Council, which accepts the Ruling, demands that it be upheld and that the plaintiffs' claims be rejected. It also demands court costs from the plaintiffs. The defendant Landsbanki Íslands hf. accepts the District Court's Ruling for its part and demands that it be upheld.

The dispute between the plaintiffs and defendants is multifaceted, but traces its roots to the above-mentioned Act No. 125/2008, which was adopted on 6 October 2008 and entered into force on the following day. It amended previous legislation in a manner which the plaintiffs consider invalid and significantly damaging to their interests in the anticipated distributions to creditors from the assets of the defendant Landsbanki Íslands hf. upon its winding-up. It has also been suggested by the plaintiffs that their rights were further infringed with the adoption of the above-mentioned Act No. 44/2009. In the following section, the parties

premises will be referred to as necessary in resolving this case. As the case is presented to the Supreme Court there is no dispute between the defendants themselves.

II.

This case, and ten others in addition which were heard by the Supreme Court in September 2011, either with oral or written arguments, tests the constitutionality of Art. 6 of Act No. 125/2008. In one of these cases, Supreme Court Case no. 340/2011, the plaintiffs based their case on the same premises as is done in this case concerning the flaws in Act No. 125/2008; a verdict has been pronounced in this case earlier today. Section II of the above-mentioned Supreme Court verdict gives an account of the substance of Act No. 125/2008, quoting Art. 6 thereof, which is disputed in particular by the parties and which altered the order of ranking of claims upon the winding-up of financial undertakings, making deposit claims priority claims with reference to Art. 112 of Act No. 21/1991. This same section of the verdict described the takeover by the Financial Supervisory Authority of the country's three largest commercial banks directly following the adoption of the Act, including the defendant Landsbanki Íslands hf., and the establishment of new banks on the basis of the older ones. Finally, this section of the verdict explains the views of the plaintiffs regarding the constitutional flaws of Act No. 125/2008 which should result in its being disregarded in resolving this case, together with the opposing views of the defendants in the case, who are of the opinion that the Act complies both with the Icelandic Constitution and international agreements to which Iceland has acceded. Section III of the above-mentioned verdict gives an account of the interpretative sources for the Bill which became Act No. 125/2008, to the extent this is relevant for resolution of the parties' dispute. It furthermore explains that at the end of 2008, Act No. 142/2008, on Investigation of the Causes of and Events Leading to the Collapse of the Icelandic Banks in 2008 and Related Events, was adopted, and describes those conclusions of the parliamentary Special Investigation Commission which are of significance here. Section IV of the above-mentioned verdict then resolves the dispute on the constitutionality of Act No. 125/2008, rejecting the plaintiffs' contentions that the Act violates the Constitution and international agreements. The discussion in sections II and III of the Supreme Court's verdict in case no. 340/2011 applies equally in the case to be resolved here as do furthermore the conclusions in section IV of the verdict. General considerations discussed there also apply in this case. Accordingly, the plaintiffs' contentions in this case, that the Act does not comply with the Constitution and international agreements, are rejected.

III.

As explained in section I above, the parties' dispute concerns, among other things, where the above-mentioned claim of the defendant Norfolk County Council should be ranked in priority in the winding-up of the defendant Landsbanki Íslands hf. The plaintiffs, all of whom are general creditors as referred to in Art. 113 of Act No. 21/1991, do not object to the decision by the Winding-up Board of Landsbanki Íslands hf. to recognise the principal of the claim of the local authority plus contractual interest from 27 April 2007 up until and including the agreed date of payment, but they regard this as a general claim as referred to in Art. 113 of Act No. 21/1991, and not a priority claim, with reference to Art. No. 112 of the Act. The parties' dispute in this respect concerns whether the local authority's claim as lodged in the winding-up proceedings of Landsbanki Íslands hf. should be considered a deposit with reference to the third paragraph of Art. 9 of Act No. 98/1999, on Deposit Guarantees and an Investor-Compensation Scheme, and as such enjoy priority in the bank's winding-up as provided for in the third paragraph of Art. 102 of Act No. 161/2002, as this paragraph was amended by Art. 6 of Act No. Art. 101 of Act No. 125/2008 and subsequently by Art. 6 of Act No. 44/2009, as this is the understanding of both defendants. On the other hand, the plaintiffs regard the dealings between the local authority and the bank to have been in the form of investment or a loan facility, and therefore the local authority's claim cannot be considered a deposit in the above-mentioned sense and should not therefore enjoy priority.

IV.

As explained in the appealed Ruling, Landsbanki Íslands hf. notified the Financial Supervisory Authority in a letter of 19 January 2005 that the bank intended to establish and operate a branch in London. The letter stated that this would involve two types of activities: firstly, syndicated lending activities where the bank would either be a participant or an arranger, and secondly corporate finance. The activities which the bank planned to pursue were “in accordance with the list in Annex I of Directive 2000/12/EC”. In a letter of 29 June that same year the bank notified the Financial Supervisory Authority that planned on expanding the branch's activities to include accepting deposits. This would involve “accepting wholesale deposits in the name of the branch which would be acquired through the intermediation of Heritable Bank Ltd.” The activities which were to be pursued were covered by “Point 1. *Acceptance of deposits and other repayable funds* of the list in Annex I to Directive 2000/12/EB” to quote from the letter.

Landsbanki Íslands hf. concluded a service level agreement with Heritable Bank Ltd. on 27 November 2005 for handling of wholesale deposits. In this agreement the word *client* refers

to Landsbanki Íslands hf. The agreement defined the word *account* as an account under the administration of Heritable Bank Ltd. which contained information on entries in connection with clients' wholesale deposits, including receipts, withdrawals, debit entries, interest and various fees, while the word *customer* referred to parties who had applied to open a wholesale deposit account with Landsbanki Íslands hf. and had deposited funds therein. The word *portfolio* referred to any collection of wholesale deposits, regardless of whether this was a portfolio which had been created from new transactions or splitting up of older deposit portfolios. A *wholesale deposit* referred to an amount of money which an enterprise or institution deposited with Landsbanki Íslands hf., mainly through the intermediation of recognised money market brokers, on which the bank paid fixed interest or other compensation, and which was to be repaid in full or in part in accordance with a claim thereto following a specified term or at an agreed date and which was subject to the relevant terms and conditions of Landsbanki Íslands hf.

According to the documentation in this case, the local authority Norfolk County Council owned GBP 5,000,000 held by the London branch of Landsbanki Íslands hf. which the local authority considers a wholesale deposit in the above sense, and which the branch was to preserve for the period from 27 April 2007 until 27 April 2009. On the occasion of this transaction, the London branch of Landsbanki Íslands hf. issued a so-called *deposit confirmation* to the local authority. This is undated, but states that the bank confirms receipt of the local authority's *deposit*. It states that the *contract date* is 23 April 2007, the account number is 20000112 and the *deal number* is 503010. The *amount received* from 27 April 2007 until 27 April 2009 is GBP 5,000,000, *interest* is 5.87% annual interest for 731 days with *annual interest payments* and the *balance due on maturity* is GBP 5,587,804.11. Landsbanki Íslands hf. reportedly paid the local authority interest on 27 April 2008 in the amount of GBP 289,479.45.

V.

According to the third paragraph of Art. 102 of Act No. 161/2002, the same rules apply to the winding-up of a financial undertaking as apply to the priority of claims against an insolvent estate. However, claims for deposits, as provided for in Act No. 98/1999, on Deposit Guarantees and an Investor Compensation Scheme, are in addition to be considered claims enjoying priority as referred to in the first and second paragraphs of Art. 112 of Act No. 21/1991. A deposit as referred to in the first paragraph of Art. 9 of Act No. 98/1999, is according to the third paragraph of the provision [sic] any credit balance resulting from

financial deposits or transfers in normal banking transactions, which a commercial bank or savings bank is under obligation to refund under existing legal or contractual terms.

Section IV above describes the dealings between the local authority Norfolk County Council and Landsbanki Íslands hf. in connection with the funds which the local authority had in the bank. According to this discussion, cf. also the Supreme Court's verdict in case no. 311/2011, which was pronounced earlier today, and in other respects with reference to the premises of the appealed Ruling, the conclusion of the Ruling is upheld, that the local authority held a deposit with the bank which should be regarded as a deposit in the sense of the third paragraph of Art. 9 of Act No. 98/1999, and that this deposit enjoys guarantee protection as provided for by that Act. As a result, the claim lodged by the local authority enjoys priority with reference to Art. 112 of Act No. 21/1991 in the bank's winding-up. Also with reference to the premises of the Supreme Court's verdict in case no. 340/2011, as well as the premises of the appealed Ruling, the conclusion was accepted in this case that the minimum deposit guarantee provided for in the first paragraph of Art. 10 of Act No. 98/1999 makes no difference to the fact that the insured deposit in its entirety enjoys priority with reference to Art. 112 of Act No. 21/1991.

VI.

From the defendants' claims and pleadings it can be concluded that they do not dispute that 21 April 2009 is the last day for which contractual interest should be calculated on the principal of the claim of the defendant Norfolk County Council; this defendant does not demand penalty interest on its claim. In accordance with this and with reference to other aspects of the above discussion, the conclusion of the appealed Ruling is upheld, to recognise as a priority claim with reference to Art 112 of Act No. 21/1991 in the winding-up of the defendant Landsbanki Íslands hf. the claim of the defendant the Norfolk County Council amounting to GBP 5,000,000 plus 5.87% contractual interest from 27 April 2007 up until and including 21 April 2009, less interest paid in the amount of GBP 295,108.22, for a total of GBP 5,289,479.45, which converts to ISK 1,010,713,733 based on the exchange rate of 22 April 2009, cf. the third paragraph of Art. 99 of Act No. 21/1991. The recognised amount will be awarded in a lump sum and specified in ISK.

Each of the parties was ordered by the District Court to bear its own cost of litigation with explanations as detailed in the premises of the appealed Ruling. This conclusion is upheld with reference to the premises of the Ruling. The same perspectives also apply in the main

concerning court costs before the Supreme Court. With regard thereto, each party shall bear its own court costs before the Supreme Court.

Verdict:

The claim of the defendant Norfolk County Council in the amount of ISK 1,010,713,733, against the defendant, Landsbanki Íslands hf., is recognised in the latter's winding-up. The claim is ranked in priority pursuant to Article 112 of Act No. 21/1991, on Bankruptcy etc.

The provisions of the appealed Ruling on court costs are upheld.

Appeal costs are waived.

Dissenting opinion of Jón Steinar Gunnlaugsson

As explained in section II of the majority verdict, this is one of eleven cases which were heard in September 2011 and concern a dispute as to whether Art. 6 of Act No. 125/2008, on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc. provided valid authorisation to recognise on its basis the priority of claims which are considered deposits, as understood by this provision, in the winding-up proceedings of Landsbanki Íslands hf. and Glitnir banki hf.

In the Supreme Court verdicts today in all of the above-mentioned cases, it is concluded that the priority of deposits should be recognised on the basis of the said statutory provision. I disagree with this conclusion and explain the premises for this disagreement in a dissenting opinion in case no. 340/2011. In this case I also disagree with the majority of the Court and I am of the opinion that the claims of the plaintiffs should be upheld, that the priority of the claim of the defendant Norfolk County Council in the winding-up of the defendant Landsbanki Íslands hf. should be rejected. I refer to my dissenting opinion in case no. 340/2011, regarding the grounds for this conclusion.

Reference is also made to the said dissenting opinion for grounds for my position that the defendant Norfolk County Council can be a party to this case.

Certified true copy,
28/11/2011
Fee: ISK 3,000.