

ACT

amending the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions and the Foreign Exchange Act (release of offshore krónur and special reserve requirement on capital inflows)

CHAPTER I

Amending the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, with subsequent amendments

Article 1

A temporary provision shall be added to the Act and shall read as follows:

Notwithstanding the provisions of this Act:

1. It is permissible to withdraw offshore króna assets held as deposits in accounts subject to special restrictions or to redeem Central Bank certificates of deposit in order to purchase foreign currency from a financial undertaking in Iceland or an international securities depository, for deposit to an account with a foreign financial undertaking located abroad.
2. It is permissible to withdraw offshore króna assets from account subject to special restrictions or to lift encumbrances pursuant to Articles 5 and 6 from offshore króna assets, provided that they have been continuously owned [by the beneficial owner] since 28 November 2008.
3. An individual who is the registered owner of offshore króna assets is permitted to withdraw from an account subject to special restrictions or to redeem Central Bank certificates of deposit for a maximum of 100 m.kr., provided that the individual is the beneficial owner of the funds in question.

The measures provided for in Paragraph 1, Items 2 and 3, are subject to confirmation by the Central Bank of Iceland.

The Central Bank of Iceland is authorised to lay down more detailed rules on the implementation of this provision. The Rules shall be approved by the Minister and published in the *Law and Ministerial Gazette (Stjórnartíðindi)*.

CHAPTER II

Amendment to the Foreign Exchange Act, no. 87/1992, with subsequent amendments

Article 2

The following amendments shall be made to Temporary Provision III of the Act:

- a. Paragraph 2 shall read as follows:

The special reserve ratio applied to the special reserve base shall determine the special reserve amount. The special reserve amount remains unchanged throughout the original holding period. The obligation to hold funds in reserve shall be satisfied:

1. With the purchase, by a financial undertaking that is a party to the Central Bank of Iceland real-time gross settlement system, of a special Central Bank certificate of deposit for the special reserve amount, on the investor's initiative, and the simultaneous sale of the certificate of deposit to the Central Bank, subject to delivery at the end of the holding period, at a price determined by the interest rate on the certificate of deposit.

The contract for forward sale may not be amended during the holding period. The financial undertaking transfers the terms and holding period to the investor; for example, directly, by transferring the certificate of deposit, or indirectly, by means of derivatives transactions or by deposit to an account, or

2. with the investor's deposit of the special reserve amount to a term deposit account with a deposit institution in Iceland. The deposit undertaking shall deposit an amount corresponding to the entire special reserve amount to a capital flow account with the Central Bank of Iceland. The special reserve requirement shall expire at the end of the holding period, irrespective of whether new inflows of foreign currency that create a special reserve base have been released via sale or redemption. Withdrawals from special reserve accounts are prohibited during the holding period. Deposits to deposit undertakings' capital flow accounts with the Central Bank of Iceland shall be subject to the same holding period and to a corresponding special reserve amount. It is prohibited to hypothecate the special reserve amount and deposit undertakings' deposits to capital flow accounts with the Central Bank of Iceland.
- b. The phrase "the third sentence" in Paragraph 3, Item 1 is replaced by: Item 2.
 - c. A new numbered item shall be added to Paragraph 3, and it shall read as follows: the terms and rates on certificates of deposit and repurchase transactions with certificates of deposit pursuant to Paragraph 2, Item 1.

Entry into force

Article 4

This Act shall enter into force at once.