Act

on the treatment of króna-denominated assets subject to special restrictions

CHAPTER I
General provisions

Article 1
Objectives

The objective of this Act is to promote the liberalisation of capital controls and create a foundation for unrestricted cross-border trade with Icelandic krónur, in the interest of economic stability and the public good. To this end, provisions are stipulated for the treatment of specified króna-denominated assets, referred to as offshore króna assets. These will continue to be subject to special restrictions intended to reduce the risk attached to achieving the objective described in the first sentence.

Article 2
Definitions

For the purposes of this Act, the following terms shall have the following meanings:

1. Offshore króna assets:
   a. Deposits denominated in Icelandic krónur and held by the following parties with deposit money banks in Iceland, irrespective of whether they are the actual property of the party in question or whether that party holds them in custody for another:
      1. Foreign legal entities that have an operating licence or that carry out legally defined activities in the financial markets, their branches, and subsidiaries owned by them.
      2. Other foreign institutional investors that invest in financial instruments, including parties that engage in securitisation or other financing activities.
   b. Funds held in a custodial deposit account in the name of the payer, in an escrow account with a deposit money bank in the name of the owner or his representative, or in the form of specified assets of a creditor in the custody of the payer, provided that they have been paid for the benefit of a non-resident entity that has or has had a claim against a legal entity that has undergone winding-up proceedings or insolvency proceedings or has undergone restructuring via composition agreement.
   c. Icelandic Treasury bonds and bills issued in Icelandic krónur or bearing a State guarantee, and owned or held in custody by a party falling under Item (a).
   d. Unit share certificates owned or held in custody by a party falling under Item (a) and issued in Icelandic krónur, in mutual, investment, and institutional investment funds that invest, directly or indirectly, in financial instruments issued by the Icelandic Treasury or bearing a State guarantee.
   e. Shares, bonds, and any type of debt instrument issued in Icelandic krónur by resident entities that underwent restructuring on the basis of a composition agreement according to the Act on Bankruptcy, Etc., after 28 November 2008, and owned by non-resident legal entities as a result of conversion of claims in which they invested after 28 November 2008. The same applies to reinvestment of the proceeds from such assets that have been sold, either partially or in full.
   f. Shares, bonds, and any type of debt instrument issued in Icelandic krónur by resident entities, if the investment took place after 28 November 2008 and payment was remitted, directly or indirectly, by withdrawal from an account in Icelandic krónur with a foreign financial institution.
   g. Unit share certificates owned or held in custody by a party falling under Item (a) and issued in Icelandic krónur, in mutual, investment, and institutional investment funds that, among other
things, invest, directly or indirectly, in financial instruments issued in Icelandic krónur by entities
other than the Icelandic Treasury or those enjoying a State guarantee; deposits, cash, and
derivatives.

h. Sales proceeds or other payments due to assets according to Items (c)-(g) that accrue during the
period from the entry into force of this Act until 1 September 2016.

2. **Non-resident legal entity**: A legal entity not considered a resident according to Item 2 of the definition
contained in Article 1 of the Foreign Exchange Act.

3. **Central Bank of Iceland foreign currency auction**: An auction held by the Central Bank of Iceland, in
which the Bank offers to purchase Icelandic krónur in exchange for euros.

4. **Deposit money banks**: Commercial banks, savings banks, and deposit divisions of co-operative
soieties.

5. **Resident**: A resident entity according to the definition in Article 1 of the Foreign Exchange Act.

6. **Central Bank of Iceland certificates of deposit**: Debt instruments issued by the Central Bank of
Iceland to deposit money banks that hold offshore króna assets in accounts subject to special
restrictions, or to their owners according to Item 1(a).

7. **Electronically registered securities**: Securities that are registered electronically according to the Act
on Electronic Registration of Title to Securities.

8. **Account subject to special restrictions**: An account denominated in Icelandic krónur, in the name of
the owner or custodian of offshore króna assets according to Items 1(a) and 1(b), and held with a
deposit money bank in Iceland, which shall be identified with ledger code 21 in Icelandic Banks’ Data
Centre hf. systems and is subject to special restrictions according to this Act.

9. **Administrative account**: An account owned by the Central Bank of Iceland wherein financial
instruments are registered in the names of custodians.

10. **Reference exchange rate**: An exchange rate of the Icelandic króna versus the euro, set at 220 krónur
per euro.

11. **Customer**: An entity that authorises a custodian to act on its behalf and to be registered for financial
instruments or funds.

12. **Custodian**: A financial institution authorised to hold financial instruments owned by its customers.

13. **Custodial account**: An account with electronically registered securities held by a custodian.

**Article 3**

**Exemptions**

The following offshore króna assets are exempted from the provisions of this Act:

1. Those owned by governments, central banks, and international institutions of which Iceland is a
member.

2. Those deriving from payments of premiums according to contractual agreements in domestic currency
concerning supplemental insurance for the acquisition of personal pension savings and concerning
investment plan insurance, single-premium life insurance, and regular savings on the basis of the
exemptions of foreign insurance companies and foreign pension custodians from the restriction set
forth in Article 13(b), Paragraph 3 of the Foreign Exchange Act.

3. Those held by foreign electronic money institutions and utilised in accordance with these institutions’
exemptions from the restrictions set forth in Article 13(b), Paragraphs 1 and 2 and Article 13(c),
Paragraph 3 of the Foreign Exchange Act, for the purpose of engaging in payment intermediation in
Iceland.

4. Those deriving from investments undertaken after 28 November 2008 using new inflows of foreign
currency in the sense of Article 13(m), Paragraph 2 of the Foreign Exchange Act, but not including
direct or indirect investments in derivatives contracts and claims against entities that are in winding-up
or insolvency proceedings or have concluded winding-up or insolvency proceedings via a composition
agreement that entails the distribution of assets to creditors.

5. Those deriving from participation in Central Bank of Iceland auctions during the period from 28 June
2011 through 10 February 2015.

6. Those deriving from the satisfaction, by parties falling under Article 2 of the Act on a Stability Tax at
the time that Act entered into force, of claims according to a composition agreement.

7. Those offshore króna assets according to Article 2, Item 1(e) that derive from non-residents’ claims
against residents on the basis of a composition agreement pursuant to the Act on Bankruptcy, Etc., if
the Central Bank of Iceland has granted an exemption from the restrictions set forth in the Foreign
Exchange Act, for distributions of foreign currency.
8. Those offshore króna assets that are the basis for foreign exchange transactions with the Central bank of Iceland at the reference exchange rate according to Article 9, Paragraph 2.

9. Those offshore króna assets that are the basis for foreign exchange transactions in the Central Bank of Iceland foreign currency auction held in 2016, at the auction exchange rate, for an amount equal to the market value of the offshore króna assets, so that settlement of the transaction takes place with delivery by the owner of the offshore króna assets of an amount equal to the market value of the offshore króna assets less the product of the market value of the offshore króna assets and a percentage of the Central Bank of Iceland’s official central exchange rate of the Icelandic króna against the euro on 20 May 2016 and the auction exchange rate.

CHAPTER II

Segregation and transfer of and restrictions on disposal of offshore króna assets

Article 4

Segregation and transfer of and restrictions on disposal of deposits

Deposit money banks and foreign securities depositaries operating in Iceland are obliged to transfer offshore króna assets according to Article 2, Items 1(a) and 1(b) held in their custody to accounts subject to special restrictions, no later than 1 September 2016. The transferred amount shall be the amount in the deposit account concerned or the amount of the specified holding. The total amount according to the second sentence shall not be less than it was on the date this Act entered into force, after adjusting for returns and for conventional and appropriate administrative costs in instances involving such costs.

Notwithstanding the first sentence of Paragraph 1, foreign securities depositaries that operate in Iceland and hold in custody offshore króna assets according to Paragraph 1 in deposit accounts with the Central Bank of Iceland can apply to have them transferred to accounts with the Central Bank of Iceland that are subject to the same restrictions as the accounts subject to special restrictions. Applications according to the first sentence shall be received no later than 1 August 2016.

Withdrawals from accounts subject to special restrictions are authorised only in this instances provided for in Chapter IV.

Article 5

Transfer of custody and restrictions on disposal of electronically registered securities

Financial institutions that hold in custody offshore króna assets according to Article 2, Items 1(c)-1(g) that are electronically registered according to the Act on Electronic Registration of Title to Securities on the date this Act enters into force shall transfer custody of those assets to an administrative account with the Central Bank of Iceland, in the name of the relevant custodian, no later than 1 September 2016.

Upon the transfer according to Paragraph 1, the Central Bank of Iceland shall take over the rights and responsibilities of the financial institution in the sense of the Act on Electronic Registration of Title to Securities. The administrative account shall be established with the Central Bank in the name of the custodian of the offshore króna assets concerned prior to the date of transfer. It is permissible to transfer offshore króna assets according to Paragraph 1 between custodians’ administrative accounts with the Central Bank of Iceland, provided that such transfer does not involve a change in registration of title at the securities depository.

Settlement and redemption of offshore króna assets according to Paragraph 1 shall take place in Icelandic krónur, which shall be deposited to accounts subject to special restrictions. If a foreign securities depository has submitted an application according to Article 4, Paragraph 2, payment upon settlement and redemption of offshore króna assets shall be remitted to an account subject to the same restrictions as the accounts subject to special restrictions with the Central Bank of Iceland.

Offshore króna assets according to Paragraph 1 that are held in custody in a customer’s nominee account with a custodian shall be transferred to an administrative account of the custodian concerned with the Central Bank of Iceland, in accordance with Paragraph 1. The term nominee account refers to a nominee account in the sense of the Act on Securities Transactions.

Upon transfer according to Paragraph 1, the securities depository shall, upon request by the Central Bank of Iceland, provide information on required encumbrances according to Paragraph 3 by assigning the electronic issue of the offshore króna assets a provisional international ISIN identity code for securities. The assignment shall take place as soon as possible after the Central Bank’s request has been received by the securities depository, and no later than within three working days.
In case of settlement according to Paragraph 3, where payment takes place using Icelandic krónur not subject to the restrictions set forth in this Act, the securities depository shall lift the encumbrances according to Paragraph 5, upon receiving confirmation from the Central Bank of Iceland.

Article 6

Restriction on disposal of other offshore króna assets

Sales proceeds, instalments of principal, prepayments, final payments, interest, indexation of interest, dividends, and any other payments due to offshore króna assets according to Article 2, Items 1(d)-1(g) that are not electronically registered, cf. Article 5, shall be transferred to accounts subject to special restrictions within three working days of the date the funds deriving from such disposal in connection with offshore krónur were received or could have been received by the owner or the owner’s agent.

The owner of offshore króna assets or the owner’s agent shall guarantee the endorsement of the encumbrance concerning transfer to accounts subject to special restrictions in a satisfactory manner, as appropriate, so that the offshore króna assets according to this provision are identified as bearing such an encumbrance. In the event of a transfer of the offshore króna assets without the transfer of payments according to Paragraph 1 to accounts subject to special restrictions, the encumbrance according to the first sentence shall continue to apply to the transferee or the party receiving the asset in another manner, irrespective of whether or not that party is aware of the existence of the encumbrance. The owner of the offshore króna assets according to this provision shall notify the Central Bank of Iceland, within three months of the entry into force of this Act, of his or her offshore króna assets and shall specify how the conditions concerning the endorsement of the encumbrance on the offshore króna assets have been satisfied.

Deposit money banks shall notify the Central Bank of Iceland, on the date of payment, of all payments made to accounts subject to special restrictions according to Paragraph 1.

Article 7

Decision-making authority at the administrative level

The Central Bank of Iceland shall resolve disputes and in other respects has decision-making authority concerning the implementation of this Act. A decision made by Central Bank according to the first sentence is final at the administrative level. Appealing the matter to the courts does not postpone the legal effect of the decision.

CHAPTER III

Reserve requirements and prohibition on hypothecation of offshore króna assets

Article 8

 Reserve requirements and prohibition on hypothecation

Offshore króna assets held in accounts subject to special reserve requirements are subject to reserve requirements according to this provision.

The reserve requirements shall be met by allocating an amount equal to the total balance of the deposit money bank’s accounts subject to special restrictions for investment in Central Bank of Iceland certificates of deposit.

Deposit money banks shall fulfil the reserve requirements according to this provision within the same business day. The Central Bank is authorised to direct-debit the deposit money bank’s current account on the following business day for the amount needed to satisfy the reserve requirements according to this provision.

The certificates of deposit shall be held in the deposit money bank’s administrative account with the Central Bank.

It is prohibited to hypothecate offshore króna assets according to Article 2, Item 1 and Central Bank of Iceland certificates of deposit according to Article 10.

CHAPTER IV

Authorisation for withdrawal from accounts subject to special restrictions, foreign exchange transactions, and investments

Article 9

Temporary authorisation for withdrawal and foreign exchange transactions

Owners of offshore króna assets according to Article 2, Items 1(a)-1(d) and 1(h) are permitted to withdraw part or all of the funds from accounts subject to special restrictions in order to use the funds for
foreign exchange transactions with the Central Bank of Iceland at the reference exchange rate, until 1 November 2016.

Until 1 November 2016, owners of offshore króna assets according to Article 2, Items 1(e)-1(g) shall be authorised to engage in foreign exchange transactions with the Central Bank of Iceland at the reference exchange rate, for an amount equal to the market value of the offshore króna assets, so that settlement of the transaction will take place with the delivery, by the owner of the offshore króna assets, of an amount equal to the market value of the offshore króna assets less the product of the market value of the offshore króna assets and a percentage of the Central Bank of Iceland’s official central exchange rate of the Icelandic króna against the euro on 20 May 2016 and the auction exchange rate.

The market value of the offshore króna assets in the sense of Paragraph 2 shall be determined as follows:

1. When securities are listed on a stock exchange, their market value shall be the market value on the date this Act enters into force.
2. The market value of offshore króna assets other than those according to Item 1 shall be based on a reasoned valuation by an impartial chartered accountant of the fair value or cost value of the asset at the time this Act enters into force, as defined according to the Annual Accounts Act, but never lower than the nominal value. A party wishing to enter into foreign exchange transactions according to the first sentence shall obtain a valuation at its own expense, and the chartered accountant must provide confirmation of impartiality. The Central Bank of Iceland is authorised to request further explanations or reject the results of the valuation if it is considered demonstrated that the valuation is not based on satisfactory premises.

If an owner of offshore króna assets exercises its authorisation according to Paragraph 2, the offshore króna assets underlying those transactions shall be exempt from the restrictions provided for in this Act, upon receipt of confirmation by the Central Bank of Iceland.

Article 10

Authorisation for investment in Central Bank of Iceland certificates of deposit

Owners of deposits held in accounts subject to special restrictions or in accounts subject to the same restrictions with the Central Bank of Iceland, cf. Article 5, Paragraph 2, are authorised to withdraw funds from the accounts for investment in Central Bank of Iceland certificates of deposit.

The certificates of deposit do not have a specified maturity date, they bear variable annual interest, and reimbursement of the principal is authorised only in accordance with the decision of the issuer. Interest is paid at the end of the interest period, once a year. Upon issuance, the certificates of deposit shall bear an annual interest rate of 0.5%, which shall be reviewed by the Central Bank of Iceland on the interest payment date.

The certificates of deposit shall be held in administrative accounts with the Central Bank of Iceland. Sales proceeds, redemption value, and interest on Central Bank of Iceland certificates of deposit shall be transferred to accounts subject to special restrictions.

Article 11

General authorisation for transfers and withdrawals of interest and dividend payments

Transfers between accounts subject to special restrictions are permissible.

It is permissible to withdraw accrued interest, indexation on interest, and dividends, subject to prior confirmation by the Central Bank of Iceland.

Interest according to Paragraph 2 refers to interest on deposits held in accounts subject to special restrictions, bonds and bills according to Article 2, Items 1(c), 1(e), and 1(f), and Central Bank of Iceland certificates of deposit.

Dividends according to Paragraph 2 refer to dividend payments on profits from a company’s regular operations, not on revenues deriving from the sale of assets in excess of sales gains or profits from debt write-offs, asset valuation increases, share capital reductions, or other comparable causes. Dividends shall be financed with cash from operations in available funds and not with asset sales, borrowings, share capital increases, or other comparable measures. If the measure underlying the payment of dividends differs substantially from general practice in such transactions and the main purpose appears to be the circumvention of restrictions provided for in this Act, the Central Bank may refuse confirmation.

Article 12

Authorisation for withdrawal by individuals
An individual who is the beneficial owner of offshore króna assets according to Article 2, Item 1(a) at the time this Act enters into force is authorised to withdraw funds from accounts subject to special restrictions upon obtaining prior confirmation by the Central Bank of Iceland. The term beneficial owner refers to an individual who is the owner of deposits denominated in Icelandic krónur and held by parties falling under Article 2, Item 1(a). The requirement for the authorisation provided for in the first sentence is that the deposit balance must have been continuously owned by the beneficial owner since 28 November 2008.

An individual who is the owner of offshore króna assets according to Article 2, Item 1(b) at the time this Act enters into force is authorised to withdraw funds from accounts subject to special restrictions upon obtaining prior confirmation by the Central Bank of Iceland.

Each individual’s withdrawals according to Paragraphs 1 and 2 are subject to a combined maximum of 1,000,000 kr. per calendar year.

CHAPTER V
Securities administration fees
Article 13
Securities administration fees

The Central Bank of Iceland is authorised to charge fees for services relating to the custody of securities held in the Bank’s administrative accounts, in accordance with a tariff set by the Bank. Fees according to the first sentence shall not exceed the actual cost incurred by the Central Bank in holding in custody and administering the securities, which entails the following expenses, among others:

a. wages and operating expenses;

b. expenses incurred by the Central Bank in connection with transactions with securities depositories.

CHAPTER VI
Central Bank supervision and sanctions
Article 14
Oversight and supervision

The Central Bank of Iceland shall supervise the implementation of this Act. It is required, subject to per diem fines as set forth in Article 17, to provide the Central Bank of Iceland with all information and documentation that it considers necessary for the purpose. In this context, it does not matter whether the information or documentation pertains to the party to whom the request is addressed or to other parties for which the party in question can provide information and which pertain to investigations and supervision by the Central Bank. Statutory provisions on confidentiality shall not limit the obligation to provide information and access to data.

In connection with its supervisory role according to this Act, the Central Bank may carry out on-site inspections or request information in this manner as often as it deems necessary. A decision to conduct an on-site inspection may be implemented via enforcement proceedings.

Article 15
Confidentiality

Those engaged in implementing this Act are bound by an obligation to observe confidentiality concerning the affairs of individual customers and other knowledge that they may acquire during their work and that should remain secret according to law or the nature of the matter in question, unless a judge rules that such information shall be disclosed in court or to the police, or the disclosure of information is required by law. The obligation to observe confidentiality shall remain in effect even in the event of termination of employment.

Article 16
Acquisition of information

In connection with investigations of specific cases, the Central Bank of Iceland is authorised to acquire information and documentation from other authorities, irrespective of their duty to observe confidentiality.

The Central Bank of Iceland is authorised to seek information from the Financial Supervisory Authority in connection with acquisition of data related to investigations of specific cases, insofar as the Financial Supervisory Authority’s authorisations permit.
The Central Bank is authorised to engage in reciprocal exchange of information with public authorities abroad on matters covered by this Act, provided that the information is subject to a corresponding confidentiality requirement in the country concerned.

Article 17

Per diem fines

The Central Bank of Iceland may levy per diem fines on parties that fail to provide requested information and documentation, deliberately provide the Bank with incorrect information, or fail to comply with requests for rectification within a reasonable time limit. This provision applies equally to resident and non-resident legal entities and to resident and non-resident individuals. The same applies to parties that can provide information pertinent to investigations pursuant to the provisions of this Act. Per diem fines shall be paid until the party in question has complied with the Central Bank’s request. Per diem fines are imposed from the deadline for submittal of the information until the day the request has been honoured. Fines may range from 50,000 kr. to 50,000,000 kr. per day. In determining the amount of per diem fines, consideration may be given to the nature of the negligence or violation and the financial strength of the party in question.

If proceedings are initiated to demand invalidation of a decision according to Paragraph 1 within 14 days of the date the party concerned was notified of it, and the party concerns requests expedited case handling, it is prohibited to collect per diem fines before a judgment has been rendered. Notwithstanding the initiation of proceedings to invalidate a decision according to Paragraph 1, per diem fines shall continue to accrue against the party concerned.

Uncollected per diem fines shall not be cancelled even though parties later accede to the demands of the Central Bank of Iceland unless the Central Bank so decides.

Decisions on per diem fines provided for in this Article are enforceable by execution.

Collected per diem fines, net of collection costs, shall accrue to the National Treasury.

Article 18

Central Bank of Iceland measures to combat illegal conduct

If the Central Bank of Iceland considers conduct to be in contravention of the provisions of this Act, the Bank may demand that the illegal conduct be discontinued immediately. The Central Bank of Iceland may also demand remedy or correction of measures considered to be in contravention of this Act. The Central Bank is authorised to impose per diem fines in accordance with Article 17 until its demands have been met. This provision applies equally to resident and non-resident legal entities and to resident and non-resident individuals.

Article 19

Administrative fines

The Central Bank of Iceland may impose administrative fines on all those who violate the provisions of Articles 4-6, Article 8, or Article 15 and, as applicable, any rules adopted on the basis of those provisions.

Fines imposed on individuals may range from 10,000 kr. to 65,000,000 kr. Fines imposed on legal entities may range from 100,000 kr. to 500,000,000 kr. Notwithstanding the provisions of the first and second sentences, fines due to violations of Articles 4-6 may range up to five times the amount of the transfer or withdrawal. In determining the fine, consideration shall be given, among other things, to the seriousness of the violation, its duration, the violator’s willingness to cooperate, and whether the violation is a repeat offense. Decisions on fines are subject to enforcement measures. Fines net of collection costs shall accrue to the National Treasury. If administrative fines are not paid within one month of the date of the decision by the Central Bank of Iceland, penalty interest shall be paid on the amount of the fine. The decision and calculation of penalty interest shall be carried out in accordance with the Act on Interest and Price Indexation.

Administrative fines shall be imposed irrespective of whether the violation is committed through intent or gross negligence.

An attempt to commit a violation or complicity in a violation of this Act and rules adopted on the basis of it is subject to punishment as prescribed by the General Penal Code.

Article 20

Case conclusion by settlement
If a party has violated the provisions of this Act or rules adopted on the basis of it, the Central Bank of Iceland is authorised to conclude the matter by settlement, with the consent of the parties to the case. A settlement is binding upon the party to a case once it has been accepted and its substance confirmed by the party’s signature.

Article 21
Right to remain silent

In a case against an individual which could be concluded with the imposition of administrative fines, the individual suspected on legitimate grounds of having violated the law shall have the right to refuse to answer questions or submit data or objects unless it is possible to exclude the possibility that it could be significant to a decision on the violation. The Central Bank of Iceland shall provide guidance to the suspect on this right.

Article 22
Deadline for imposition of administrative fines

The Central Bank of Iceland’s authorisation to impose administrative fines in accordance with this Act expires when five years have passed since the conclusion of the conduct concerned.

The deadline according to Paragraph 1 shall be interrupted when the party is notified that his or her case is under investigation. The Central Bank of Iceland shall notify the party of an investigation of an alleged violation unless it is clear that the party has already become aware of it. The interruption of the deadline has legal effect vis-à-vis all parties that have participated in the violation.

Article 23
Authorisations in connection with case investigations

In connection with the investigation of cases, the Central Bank of Iceland is authorised to demand that individuals and legal entities submit all information and documentation that it considers necessary in connection with the implementation of this Act. In this context, it does not matter whether the information pertains to the party to whom the request is addressed or to other parties’ transactions with him for which he can provide information and which pertain to investigations and supervision by the Central Bank. Statutory provisions on confidentiality shall not limit the obligation to provide information and access to data. This shall not apply, however, to information that a lawyer acquires during the investigation of the legal position of his client in connection with legal proceedings, including when he has given advice on whether to file suit or avoid legal proceedings, or information that he has acquired before, during, or after the conclusion of legal proceedings if the information relates directly to the case. The Central Bank may summon individuals that it believes to possess information pertinent to the investigation of a case in order to take statements from them.

The Central Bank of Iceland may demand that the assets of an individual or legal entity be impounded, if there are legitimate grounds to suspect that the practices of the party in question violate the provisions of this Act. The conditions for and treatment of such a request shall be subject to the provisions of Article 88 of the Act on Criminal Procedure, as appropriate.

The Central Bank of Iceland is authorised to carry out special investigations and confiscate documentation in accordance with the Act on Criminal Procedure, provided that there is good reason to believe that individuals and legal entities have violated this Act or rules adopted on the basis of it, or there is reason to believe that the Central Bank’s investigations and actions will otherwise not achieve the intended results. The provisions of the Act on Criminal Procedure shall apply to the execution of such measures.

Article 24
Deadline for initiating legal action

If a party does not accept the Central Bank of Iceland’s decision, that party may initiate legal proceedings to request its invalidation in court. Such legal proceedings must be initiated within three months of the date the party was notified of the decision. The initiation of legal proceedings does not postpone the legal effect of the decision or the authorisation for formal enforcement; cf., however, Article 17, Paragraph 2.

CHAPTER VII
Miscellaneous provisions
Article 25

Regulations

The Minister is authorised to lay down further provisions on the implementation of this Act in a regulation.

The Central Bank of Iceland is authorised to adopt more detailed rules on the implementation of Articles, 5, 8, 11, and 12 and Chapter VI. The rules shall be approved by the Minister and published in the Law and Ministerial Gazette (Stjórnartíðindi).

Article 26

Entry into force

This Act shall enter into force at once. Without prejudice to the provisions of Article 8, Paragraph 2 of the Act on the Law and Ministerial Gazette and the Official Gazette, this Act shall enter into force upon publication.

Article 27

Amendments to other Acts

Upon the entry into force of this Act, the following amendments shall be made to other Acts:

1. Foreign Exchange Act, no. 87/1992, with subsequent amendments:
   a. Article 13(e), Paragraph 2 shall be amended to include a new sentence, which shall read as follows: The sales proceeds of financial instruments falling under the definition of offshore króna assets according to the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions shall be deposited to an account subject to special restrictions or an account with the Central Bank that is subject to the same restrictions according to the same Act.
   b. The following shall be added to the first sentence of Article 13(g), Paragraph 1 of the Act: and denominated in foreign currency.
   c. Article 13(j), Paragraph 6 of the Act shall read as follows: Dividends according to Paragraph 1 refer to dividend payments on profits from a company’s regular operations, not on revenues deriving from the sale of assets in excess of sales gains, profits due to debt write-offs, asset valuation increases, share capital reductions, or other comparable factors. Dividends shall be financed with cash from operations in available funds and not with asset sales, borrowings, share capital increases, or other comparable measures. If the measure underlying the payment of dividends differs substantially from general practice in such transactions and the main purpose appears to be the circumvention of restrictions on foreign exchange transactions and cross-border movement of capital, the Central Bank may refuse confirmation.
   d. Five new paragraphs shall be added to Article 13(n), and they shall read as follows: Cross-border movement of capital due to the transfer of offshore króna assets to accounts subject to special restrictions or to accounts with the Central Bank of Iceland that are subject to the same restrictions according to the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions shall be exempt from the prohibition contained in Article 13(b), Paragraphs 2 and 3.
      The sale of offshore króna assets according to Article 2, Items 1(c)-1(g) of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions shall be exempt from the prohibition contained in Article 13(b), Paragraph 3 in connection with participation by their owners in the Central Bank of Iceland foreign currency auction, or if settlement takes place by transfer to accounts subject to special restrictions or accounts with the Central Bank of Iceland that are subject to the same restrictions in accordance with the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.
      Cross-border movement of capital for investments in certificates of deposit according to Article 10, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions and their settlement according to Paragraph 4 of the same provision shall be exempt from the prohibition contained in Article 13(b), Paragraph 3.
      Foreign exchange transactions and cross-border movement of capital for transactions with the Central Bank of Iceland in accordance with Article 9 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions shall be exempt from the prohibition contained in Article 13(b), Paragraph 3 and Article 13(c), Paragraph 1.
      Assets that have received confirmation according to Article 9, Paragraph 4 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions shall be exempt from the prohibition contained in Article 13(b), Paragraphs 2 and 3 and Article 13(c), Paragraph 1.
e. Two new sentences shall be added to Article 13(p), Paragraph 1, and shall read as follows: In connection with its supervisory role according to this Act, the Central Bank may carry out on-site inspections or request information in this manner as often as it deems necessary. A decision to conduct an on-site inspection may be implemented via enforcement proceedings.

2. **Act on Electronic Registration of Title to Securities, no 131/1997, with subsequent amendments:** A new temporary provision shall be added to the Act, which shall read as follows:

   Notwithstanding the provisions of this Act, the Central Bank of Iceland has the sole authority to act as intermediary for the registration of title to securities falling under Article 2 Items 1(c)-1(g) of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions from the time their custody is transferred to the Central Bank of Iceland according to Article 5, Paragraph 1 of the same Act.