

**This is an English translation.**

**The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be any discrepancy between this translation and the authoritative text, the latter prevails.**

**Foreign Exchange Act No. 87, 17 November 1992, as amended up to 1 May 2013.**

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**Entered into force on 23 November 1992.** *EEA Agreement: Annex XII Directive 88/361/EEC, Amended by Act No. 82/1998 (entered into force on 1 Oct. 1998), Act No.128/1999 (entered into force on 1 Oct. 2000; EEA Agreement: Annex IX Directive 97/5/EC, Act No.134/2008 (entered into force on 28 Nov. 2008), Act No.27/2009 (entered into force on 1 April 2009), Act No.73/2009 (entered into force on 14 July 2009), Act No.98/2009 (entered into force on 1 Oct. 2009, with the exception of Articles 69 and 70, which took effect on 1 January 2010), Act No.78/2010 (entered into force on 30 June 2010), Act No.81/2011 (entered into force on 29 June 2011), Act No.120/2011 (entered into force on 1 Dec. 2011; EEA Agreement: Annex IX Directive 2007/64/EC, Act No.126/2011 (entered into force on 30 Sept. 2011), Act No.127/2011 (entered into force 30 Sept. 2011), Act No.17/2012 (entered into force 13 March 2012), Act No.21/2012 (entered into force on 16 March 2012), Act No.16/2013 (entered into force on 11 March 2013) and Act No.35/2013 (which took effect on 5 April 2013).*

In this act any mention of a Minister or Ministry, that does not specify the name or area of competence of the ministry refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the areas of competence of ministries, as provided for by a Presidential Ruling, is available [here](#).

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■ **Article 1** For the purposes of this Act the following definitions shall apply:

*Resident* shall mean:

1. any person permanently resident in Iceland, in accordance with the Act on Legal Domicile, irrespective of nationality; the same shall apply to an Icelandic national and his dependents residing abroad in the services of the Icelandic state in an embassy, permanent representation or consulate whose salary is paid by the Treasury or who is an employee of an international institution to which Iceland is a party;

2. any legal entity legitimately registered as domiciled in Iceland, whose domicile is considered to be in Iceland according to its Articles of Association, or whose effective management is in Iceland; Icelandic branches of legal entities domiciled abroad are considered residents.

*Non-resident* shall mean all parties other than residents.

*Domestic currency* shall mean Icelandic notes, coins, cheques and other money orders, bills and other orders for payment in the Icelandic Króna, commemorative coins, gold, silver and

other precious metals if used as currency in transactions in Iceland.

*Foreign currency* shall mean foreign notes, coins, cheques and other money orders, bills and other orders for payment in a foreign currency, commemorative coins, gold, silver and other precious metals if used as currency in transactions abroad.

*Foreign exchange transactions* shall mean the act of exchanging domestic currency for foreign currency, foreign currency for domestic currency or one foreign currency for another foreign currency, and apply to credit transactions which are analogous to delivery or receipt of foreign currency.

[*Cross-border capital movements* shall mean the transfer or movement of funds across national borders and the transfer or movement of funds between residents and non-residents in connection with:]<sup>1)</sup>

1. direct investment,
2. the issue, sale or purchase of shares, bonds, bills, unit shares in UCITS and other long-term and short-term securities,
3. lending, borrowing and payment or receipt of instalment on loans,
4. granting of guarantees and any form of security for payment,
5. opening and use of bank accounts,
6. forward transactions, purchase and sale of options and currency swaps and interest rate swaps,
7. transfer of funds of individuals and families.

*Short-term capital movements* shall mean cross-border capital movements in connection with:

1. the issue, sale or purchase of bonds and bills with a maturity of up to one year from the date of issue and other such short-term securities,
2. the issue, sale or purchase of unit shares in UCITS, which invest in short-term securities,
3. lending and borrowing for a period of less than one year,
4. deposits to and withdrawals from accounts with deposit institutions.

Furthermore, short-term capital movements shall include the import and export of short-term securities and other analogous transactions.

Long-term capital movements shall mean all other capital movements than short-term capital movements.

*Direct investment* shall mean financial or other contributions to the equity capital of a commercial undertaking, or purchase of a holding to acquire an effective influence on its management. Long-term loans made to a company by its owners are also considered direct investment.

Indirect investment shall mean all investment other than direct investment, in particular investment in securities made primarily to gain a return, rather than to acquire an effective influence on the management of an undertaking.

Domestic securities shall mean any type of transferable claims issued by a resident, such as shares, dividend coupons, bonds, interest coupons and unit shares in UCITS, as well as transferable instruments conveying title to assets other than property or individual moveable assets.

Foreign securities shall mean any type of transferable claims issued by a non-resident, such as shares, dividend coupons, bonds, interest coupons and unit shares in UCITS, as well as transferable instruments conveying title to assets other than property or individual moveable assets.

<sup>1)</sup>[Act No. 127/2011, Art. 1.](#)

■ **Article 2** Foreign exchange transactions in connection with the import and export of goods and services shall be unrestricted, together with capital movements and foreign exchange transactions in connection with them, unless otherwise provided for by law.

■ **Article 3** Notwithstanding the provisions of Article 2, the Central Bank of Iceland may, after consultation with the Ministry<sup>2)</sup>, restrict or suspend for a period of up to six months any or all of the following classes of capital movements if short-term capital movements to and from Iceland create, in the bank's estimation, exchange-rate and monetary instability:

1. sale or purchase of short-term securities;
2. deposits to and withdrawals from accounts with deposit institutions;
3. transactions in unit shares of UCITS which invest in short-term securities;
4. lending and borrowing for a period of less than one year which is unrelated to cross-border transactions in goods and services;
5. import and export of short-term securities and of domestic and foreign currency;
6. other short-term capital movements analogous to those listed in points 1-5.

<sup>1)</sup>[Act No. 126/2011, Art. 169.](#)

■ **Article 4** Notwithstanding the provisions of Article 2, [the Minister]<sup>1)</sup> may issue a Regulation restricting foreign exchange transactions in any or all of the following classes of capital movements, provided that due regard is had for the provisions of the Act on Investment by Non-residents in Business Enterprises, the Act on the Right of Ownership and Use of Property and international conventions to which Iceland is a party:

1. direct investment by non-residents in business operations in Iceland;
2. transactions of non-residents with shares of domestic undertakings;
3. Property purchases by non-residents in Iceland.

□ Such restrictions, however, may not include the transfer from Iceland of capital realised by a non-resident on the sale of a holding in an enterprise, dissolution of an enterprise or sale of property in Iceland.

<sup>1)</sup>[Act No. 126/2011, Art. 169.](#)

■ **Article 5** Notwithstanding the provisions of Article 2, the Minister may issue a Regulation restricting until 31 December 1994 any or all of the following classes of capital movements:

1. sale or purchase by residents of bonds and bills in foreign currency with an original maturity of up to one year, and the issue by these parties of such securities abroad;
2. sale or purchase by non-residents of bonds and bills in the Icelandic Króna with an original maturity of up to one year, and the issue by these parties of such securities in Iceland;
3. issue of bonds and bills in the Icelandic Króna with an original maturity of up to one year abroad;
4. sale or purchase of unit shares of UCITS which invest in short-term securities;
5. lending and borrowing for a period of less than one year which is unrelated to cross-border transactions in goods and services;
6. deposits to and withdrawals from accounts with deposit institutions;

7. import and export of short-term securities, bank notes and coins;
8. other short-term capital movements analogous to those listed in points 1-7.
9. forward transactions, purchase and sale of options and currency swaps and interest rate swaps and other related foreign exchange transactions where the Icelandic Króna is one of the currencies involved.

The Minister may furthermore issue a Regulation laying down rules on the obligation to sell or repatriate foreign currency acquired by residents for sale of goods and services or by other means. This authorisation shall be cancelled as of 1 January 1995.

■**Article 6** Foreign states, local authorities and other foreign governmental authorities are prohibited from issuing bonds on the Icelandic market unless authorised by the Central Bank of Iceland.

■**Article 7** Should certain restrictions apply to capital movements as referred to in Article 4, Article 5, [Articles 13 a – 13 n]<sup>1)</sup> or Temporary Provisions, the Central Bank may grant exemptions from the same, pursuant to an application to this effect. A special fee of 1% shall be collected on the amount concerned in each instance where an exemption is granted. Capital movements on behalf of the Treasury and capital movements in connection with foreign exchange transactions by parties authorised to trade in foreign currency shall always be exempt from this fee. The fee shall be paid to the domestic party serving as intermediary in foreign exchange transactions or to the Central Bank. Revenue from the fee shall accrue to the Treasury.

[In assessing requests for exemptions, the Central Bank shall consider what consequences restrictions on capital movements have for the applicant, the objectives underlying the restrictions and what impact an exemption will have on exchange rate and monetary stability. ...<sup>2)</sup><sup>3)</sup>

<sup>1)</sup>[Act No. 127/2011, Art. 2.](#) <sup>2)</sup>[Act No. 78/2010, Art. 1.](#) <sup>3)</sup>[Act No. 27/2009, Art. 2.](#)

■**Article 8** The Central Bank is authorised to act as intermediary in foreign exchange transactions and to trade in foreign currency. Other parties may not act as intermediaries in foreign exchange transactions in Iceland unless authorised to do so by law or according to provisions in international conventions to which Iceland is a party or licensed to do so by the Central Bank.

The Central Bank shall adopt more detailed rules<sup>1)</sup> [and guidelines]<sup>2)</sup> on the conditions for foreign exchange transactions, which shall apply for those parties referred to in the second sentence of the first paragraph. These rules shall provide, for instance, for the scope and limits of foreign currency trading by each institution, regular reporting to the Central Bank, satisfactory internal checks and controls and information systems, and the eligibility of employees. They shall furthermore provide for the revoking of licences for foreign currency trading of parties other than those authorised by law, or provisions of international conventions to which Iceland is a party, to conclude such transactions.

[Should it be revealed that a party referred to in the second sentence of the first paragraph fails to fulfil the rules and guidelines adopted by the Central Bank of Iceland on conditions for foreign currency trading as referred to in the second paragraph, the Central Bank shall demand this to be rectified within a reasonable time limit, subject to fines as provided for in Article 15 h.]<sup>2)</sup>

<sup>1)</sup>[Reg. 387/2002. Reg. 1098/2008. Reg. 950/2010.](#) <sup>2)</sup>[Act No. 78/2010, Art. 2.](#)

■ **Article 9** A Regulation may be issued requiring securities transactions between residents and non-residents to be brokered by securities brokers authorised by law in Iceland or under provisions of international conventions to which Iceland is a party. It may furthermore provide for specific classes of legal entities to be exempt from this requirement and for the Central Bank to grant particular parties authorisation to trade in securities directly with non-residents.

■ **Articles 10-13** ...<sup>1)</sup>

<sup>1)</sup> [Act No. 120/2011, Art. 81.](#)

■ **[Article 13 a** Notwithstanding the provisions of Article 2 of this Act and Article 9 of Act No. 34/1991, on Investment by Non-residents in Business Enterprises, capital movements and foreign exchange transactions listed in Articles 13 b – 13 n shall be prohibited ...<sup>1)2)</sup> <sup>1)</sup> [Act No. 16/2013, Art. 1.](#) <sup>2)</sup> [Act No. 127/2011, Art. 3.](#)

■ **[Article 13 b** The following cross-border capital movements are prohibited:

1. trading and issuing securities, units in UCITS and investment funds, money market instruments and other negotiable financial instruments;

2. deposits to and withdrawals from accounts with credit institutions;

3. lending, borrowing and issuing guarantees which are not related to international transactions in goods and services;

4. import and export of securities and of domestic and foreign currency;

5. forward transactions, derivatives trading, purchase and sale of options and currency swaps and interest rate swaps and other related foreign exchange transactions where the Icelandic Króna is one of the currencies involved;

6. gifts and grants and other capital movements comparable to those listed in points 1 to 5 which are likely to cause serious and significant exchange rate and monetary instability.

□ All cross-border capital movements in foreign currency referred to in the first paragraph are prohibited unless they concern payment for the purchase of goods or services or other capital movements, which are expressly exempted in this Act. [Cross-border capital movements in connection with import of foreign currency to a deposit account with a domestic credit institution shall be exempt from the restrictions of the first paragraph. The exemption in the second sentence does not apply, however, to cross-border capital movements when the payer is a resident and the recipient a non-resident.]<sup>1)</sup> An individual who is a non-resident is then authorized to export foreign currency, if evidence can be provided to demonstrate that the money is for the living expenses [of the person abroad].<sup>1)</sup> The authorization of capital movements for living expenses may amount to the equivalent of [ISK 6,000,000]<sup>1)</sup> per calendar year for an individual, [ISK 12,000,000]<sup>1)</sup> for a married couple/cohabiting partners and [ISK 4,000,000]<sup>1)</sup> for each child in their custody who is not financially competent and is domiciled with the above-mentioned. [If a non-resident has fully utilised the authorisation for living expenses pursuant to this provision, the person concerned may apply for an exemption from the Central Bank of Iceland, cf. Article 13 o to increase the living expense allowance.]<sup>1)</sup> Furthermore, foreign currency held by an individual [who is a non-resident]<sup>1)</sup> may be exported if evidence is provided to demonstrate that the funds are proceeds from accident compensation or inheritance which he/she has acquired upon settlement of an estate. Students who can demonstrate that they are studying abroad are considered non-residents in the understanding of this provision.

□ All cross-border capital movements in domestic currency referred to in the first paragraph are prohibited. Exempt from the prohibition in the first sentence are:

1. Capital movements which are expressly exempted in this Act, [other than in the trading of goods and services],<sup>1)</sup> when the payment is made through withdrawals from an account held by the payer in a financial undertaking in Iceland.

2. Capital movements due to the trading of goods and services, which [are not required to be]<sup>1)</sup> made in foreign [currency, pursuant to temporary provisions II],<sup>1)</sup> when the payment is made through withdrawals from an account owned by the buyer in a financial undertaking in Iceland.

3. ...<sup>1)</sup>

[4. Capital movements due to the payment of proceeds acquired by an individual from an accident compensation or inheritance, which has been acquired upon settlement of an estate, when the payment is made through a withdrawal from an account held by the payer in a financial undertaking in Iceland.]<sup>1)</sup>

[5.]<sup>1) ...2)</sup>

□ [The Central Bank of Iceland is authorised to set regulations<sup>3)</sup> regarding exemptions from the restrictions listed in paragraphs 1–3. The Central Bank may impose specific conditions on exemptions from the rules, which may *inter alia* concern the source of funds, ownership of funds, purpose of individual capital movements, specific amounts of capital movements, as well as supervision and the disclosure of information to the Central Bank. Before granting the exemption in accordance with the first sentence, which applies to individual parties with balance sheets in excess of ISK 400 billion, which can have a significant impact on the external debt position of the economy and the holdings of the commercial banks, the Minister shall be consulted, in addition to the minister responsible for financial market issues, and the rules must be approved by the Minister.]<sup>4)</sup>

[The accounts of foreign financial undertakings in domestic currency (Vostro accounts) are not considered to be accounts in financial undertakings in Iceland, cf. conditions of points 1-4 of paragraph 3.]<sup>1)5)</sup>

<sup>1)</sup> Act no. 35/2013, Art 1. <sup>2)</sup> Act no. 17/2012, Art 1 <sup>3)</sup> Reg. 300/2013. <sup>4)</sup> Reg. 16/2013, Art.2 <sup>5)</sup> Reg. 127/2011, Art 3.

■ **Article 13 c** Foreign exchange transactions between residents and non-residents where domestic currency is a constituent of the transaction are prohibited.

□ Residents are not authorised to purchase foreign currency from a financial undertaking in Iceland, when the payment is made in domestic currency, unless evidence can be provided to demonstrate that the money is to be used for the trading of goods and services or the movement of capital [which are exempt under the provisions of Article 13 f],<sup>1)</sup> Article 13 j and Article 13 k [regarding the making of such payments to non-residents].<sup>1)</sup> Foreign exchange transactions between two residents for the trading of goods and services [in which domestic currency is a constituent of the transaction]<sup>1)</sup> are prohibited.

□ Notwithstanding the first paragraph, non-residents are authorised to purchase foreign currency from a financial undertaking in Iceland for the movement of capital [which is exempt under]<sup>1)</sup> Article 13 j, regarding such payments<sup>1)</sup> from residents which are made in

Iceland, and [which are exempt under]<sup>1)</sup> the second paragraph of Article 13 k. Furthermore, non-residents are authorised to purchase foreign currency from financial undertakings with which they are doing business in Iceland, if evidence can be provided to demonstrate that the money is to be used for [their] living expenses [abroad]. The authorisation to purchase foreign currency for living expenses may amount to the equivalent of [ISK 6,000,000]<sup>1)</sup> per calendar year for an individual, [ISK 12,000,000]<sup>1)</sup> for a married couple/cohabiting partners and [ISK 4,000,000]<sup>1)</sup> for each child in their custody who is not financially competent and is domiciled with the aforementioned. Furthermore, foreign currency can be purchased for the amount of an accident compensation payment or an inheritance which an individual has acquired upon the settlement of an estate. Students, who can demonstrate that they are studying abroad, are considered non-residents in the understanding of this provision.

Non-residents are also authorised to purchase domestic currency from financial undertakings in Iceland.

[The Central Bank of Iceland is authorised to set regulations regarding exemptions from the restrictions under paragraphs 1–3. The Central Bank may impose specific conditions on exemptions from the rules, which may *inter alia* concern the source of funds, ownership of funds, purpose of individual capital movements, specific amounts of capital movements, as well as supervision and the disclosure of information to the Central Bank. Before granting the exemption in accordance with the first sentence, which applies to individual parties with balance sheets in excess of ISK 400 billion, which can have a significant impact on the external debt position of the economy and the holdings of the commercial banks, the Minister shall be consulted, in addition to the minister responsible for financial market issues, and the rules must be approved by the Minister.]<sup>2)</sup><sup>3)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 2 <sup>2)</sup> Act no. 16/2013, Art. 3 <sup>3)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 d** Purchase ...<sup>1)</sup> of [foreign]<sup>1)</sup> currency in cash is prohibited ... 1) The same applies to withdrawals [of foreign currency]<sup>1)</sup> in cash from currency accounts in financial undertakings in Iceland.

Notwithstanding the provisions of the first paragraph, resident individuals are authorised to purchase foreign currency in cash from a financial undertaking in Iceland at which they have their business or withdraw foreign currency in cash from a currency account in a financial undertaking in Iceland if the following conditions are fulfilled:

1. That the [foreign]<sup>1)</sup> currency is to be used for the purpose of travelling abroad. When purchasing or withdrawing, an individual shall provide evidence of the proposed trip by presenting a ticket or receipt for payment of the scheduled travel within four weeks. In the case of crew members, who do not have a ticket, the itinerary shall be shown by presentation of rosters or other verifiable means.

2. That no more than [the equivalent value of]<sup>1)</sup> ISK 350,000 is purchased or withdrawn in foreign currency... 1) for each person per calendar month, in accordance with point 1.

3. That it is shown that a person or his guardian, if minors are involved, is the owner of the funds paid for the foreign currency or the foreign currency account the money is withdrawn from. Notwithstanding the provisions of the first sentence, a person is permitted to purchase foreign currency for a spouse.

4. That the person specified in the purchase or withdrawal of the [foreign]<sup>1)</sup> currency takes the money out of the country him or herself.

If the trip is cancelled, the [foreign]<sup>1)</sup> currency shall be returned to the financial undertaking in Iceland within [three]<sup>1)</sup> weeks after the fact.

Notwithstanding the provisions of the first paragraph an individual, who is a resident and staying temporarily abroad for longer than one calendar month, but no more than six calendar months at a time, is authorised to purchase foreign currency [for up to ISK 350,000]<sup>1)</sup> for each calendar month of his/her stay abroad and transfer it abroad, to an account he/she holds in a financial undertaking in the country he/she is staying in [for the purpose of using this foreign currency for the payment of goods and services].<sup>1)</sup>

Furthermore, an individual, who is a non-resident and is in Iceland temporarily for travel, is permitted to purchase foreign currency from a domestic financial undertaking for up to the equivalent of ISK 350,000 in cash for each calendar month, provided the individual demonstrates that the money is for use when travelling abroad.

Financial undertakings in Iceland may apply for an exemption from the second paragraph, which allows the branch of a financial undertaking to sell an individual, who is a resident but does not do business with the relevant financial undertaking, foreign currency for up to the equivalent of ISK 350,000 in cash for each calendar month, provided it is demonstrated that the money is for use for travelling abroad. The Central Bank of Iceland shall publicly disclose information on parties that are granted exemptions on the basis of these provisions.]<sup>2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 3 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 e** Investments in securities, unit share certificates in UCITS and investment funds, money market instruments, or other negotiable financial instruments denominated in foreign currency are prohibited. However, parties that have invested in such financial instruments prior to 28 November 2008 are permitted to reinvest. Where funds are the proceeds of a sale or settlement, or stem from [dividend, interest and principal payments]<sup>1)</sup>, used in whole or in part, to reinvest into any kind of foreign investment within [six months]<sup>1)</sup> and are therefore considered to be a re-investment in the sense of the second sentence. [During the delay period granted to reinvest, the funds according to the third sentence shall be exempted, pursuant to the provisions of Article 13 l.]<sup>1)</sup>

Sales proceeds from transactions with financial instruments, according to the first paragraph, denominated in domestic currency, which are conducted between residents and non-residents and are settled in Iceland must be deposited to the seller's account with a domestic financial undertaking.

It is prohibited to settle transactions with financial instruments. according to the first paragraph, denominated-issued in domestic currency, in foreign currency.

It is prohibited to issue and/or sell financial instruments, according to the first paragraph, where the settlement is made in a currency other than the currency of issue and the domestic currency is one of the settlement currencies. If the issue is denominated in domestic currency, the proceeds from the sale must be deposited in an account denominated in domestic currency, in the issuer's name, in a domestic financial undertaking.



□ All cross-border capital movements for the prepayment of financial instruments, according to the first paragraph, are prohibited.]<sup>2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 4 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **Article 13 f** Cross-border capital movements for investments in monetary claims in foreign currency, and other comparable claims not covered by Article 13 e, are prohibited.

□ Cross-border capital movements for real estate transactions abroad are prohibited, unless it is demonstrated that the transactions are due to the emigration of residents. The maximum foreign currency purchase and capital movement for the purchase of a single real estate unit, in connection with a migration, is the equivalent of ISK 100,000,000. [Foreign exchange transactions and capital movements on the basis of these provisions are contingent upon the approval of the Central Bank of Iceland. The Central Bank of Iceland sets detailed rules<sup>1)</sup> on the implementation of these provisions.]<sup>2)</sup>

□ [Parties that have invested foreign currency in real estate located abroad prior to 28 November 2008 are authorised to reinvest it. When funds are the proceeds of a sale or compensation for the damage of such real estate, which are used, in whole or in part, to reinvest into another real estate within six months, they are considered to be a re-investment in the sense of the first sentence. [During the delay period granted to reinvest, the funds according to the second sentence shall be exempt from the provisions of Article 13 l. Notwithstanding Article 13 l, the rent revenue, which a resident receives from his/her property abroad can be used to pay for the operating costs of the property. Operating costs is to be understood as including the payment of mortgages and/or loans that were taken out for the purchase of the real estate.]<sup>2)</sup>

□ Cross-border capital movements for investments in other assets denominated in foreign currency, such as raw materials, vehicles and machinery, which are neither a normal part of the party's sphere of activity, nor suited for import for the purpose of production, are prohibited. Notwithstanding the ban in the first sentence, a foreign currency purchase and capital transfer between countries for the purchase of a motor vehicle is permitted on a single occasion, provided the acquisition is related to emigration from the purchaser's country, and that the amount does not exceed the equivalent of ISK 10,000,000. [Parties that have invested foreign currency in a motor vehicle, which is located abroad, prior to 28 November 2008, are authorised to reinvest it. Where funds are the proceeds of a sale or compensation for the damage of such motor vehicle, they can be re-invested, in whole or in part, in another motor vehicle within six months and can therefore be considered as a re-investment in the sense of the third sentence. [During the delay period granted to reinvest, the funds under the fourth sentence shall be exempted from the provisions of Article 1.]<sup>2)</sup>

□ [Notwithstanding the provisions of the fourth paragraph, individuals who are residents shall be authorised to purchase and import one vehicle from abroad per calendar year for a value equivalent to ISK 10,000,000, provided the vehicle is intended for personal use domestically. [Foreign exchange transactions and capital movements on the basis of these provisions are contingent upon the purchase of the vehicle being approved by the Central Bank of Iceland. The Central Bank of Iceland sets detailed rules<sup>1)</sup> on the implementation of these provisions.]<sup>2)</sup><sup>3)</sup>

<sup>1)</sup> Reg. 300/2013. <sup>2)</sup> Act no. 35/2013, Art. 5 <sup>3)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 g]** Borrowing and lending between residents and non-residents for purposes other than cross-border transactions in goods and services are prohibited, unless the borrowing and lending is between companies within the same group.

□ Notwithstanding Paragraph 1, the issue of loans [by residents to non-residents]<sup>1)</sup> shall be authorised, provided they fulfil the following conditions:

1. Each party's loan does not exceed ISK 10,000,000, or the equivalent of that amount in foreign currency, per calendar year.
2. The loan period is no less than one year.
3. Capital transfers for the loan shall be in accordance with the provisions of Article 13 l.
4. Loan agreements, including all appendices and accompanying documents, shall be sent to the financial undertaking that carries out the movement of capital within one week of signing.

□ Notwithstanding paragraph 1, the borrowing of foreign currency by residents from non-residents shall be authorised, provided it fulfils the following conditions:

1. The borrowing period is no less than two years.
2. Capital transfers for the loan shall be in accordance with the provisions of Article 13 l.
3. Loan agreements, including all appendices and accompanying documents, shall be sent to the financial undertaking that carries out the movement of capital within one week of signing.]<sup>1)</sup>

□ It is prohibited to prepay ...<sup>1)</sup> the borrowing of residents [from non-residents].<sup>1)</sup>

□ It is prohibited to repay loans between residents and non-residents in domestic currency, if the loan was issued in foreign currency. It is prohibited to repay loans between residents and non-residents in foreign currency, if the loan was issued in domestic currency.

□ The provisions of this Article do not prevent borrowing and lending between residents and non-residents being extended, provided other terms and conditions apply to the same extent as before. [Any amendments to the terms of the borrowing and lending between residents and non-residents, including changes in the payment of principal and interest, changes in the maturity date and/or changes due to the transfer of claims, shall be considered as new borrowing and lending in the sense of the first paragraph.]<sup>1)2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 6 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 h]** It is prohibited to act as a guarantor or assume liability for payments [to]<sup>1)</sup> a non-resident.

□ The provisions of this Article neither apply to guarantees regarding the trading of goods and services, nor guarantees between companies within a group [or guarantees issued in connection with the borrowing of residents from non-residents, which are not considered to be connected parties, and fulfil the conditions under the third paragraph of Article 13 g]<sup>1)2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 7 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 i]** It is prohibited to transact derivatives contracts involving the domestic currency against a foreign currency, whether these are contracts involving foreign currencies, securities, or a combination of foreign currencies and securities, or other comparable financial instruments.

□ Derivatives transactions related solely to trading in goods and services do not fall under this provision.

[The Central Bank of Iceland is authorised to set rules granting exemptions from the ban according to the first paragraph, which i.a. entail the authorisation to trade derivatives in specific markets. The Central Bank may impose certain conditions regarding exemptions from the ban, which may i.a. concern the source of funds, ownership of funds, purpose of individual capital movements and supervision and the provision of information to the Central Bank.]<sup>1),2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 8 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 j** Cross-border capital movements [and foreign exchange transactions due to them] 1) for the payment of interest, indexation, dividends, and contractual instalments, are exempt from this [Act]<sup>1)</sup>, cf. [paragraph 2] and point 1 of the third paragraph of Article 13 b and paragraphs 2 and 3 of Article 13 c. Residents are authorised to purchase foreign currency for the payment of contractual instalments on foreign currency-denominated loans, from the domestic financial undertaking that issued the relevant loan.

[Interest in the sense of the first paragraph only refers to interest on deposits in domestic financial undertakings, accrued interest on bonds issued by residents and interest on loan agreements in which a non-resident is the lender and a resident is the borrower.]<sup>1)</sup>

In calculating the interest, according to the first paragraph, for bonds which accrue interest on a daily basis, the interest shall be calculated in proportion to the length of time the party has owned the bond. Interest on zero-coupon bonds with prepaid interest, e.g. Treasury bills, shall be calculated as the difference between the issue price (purchase price on the date of issue) and the nominal price. The interest on zero-coupon bonds is distributed evenly (linearly) across the life span of the bond.

Indexation in the sense of the first paragraph refers to indexation on interest and principal payments.

[Notwithstanding the first paragraph, payments and indexation of bond principal shall not be exempted from the ban provisions under the second and third paragraphs of Article 13 c]<sup>2)</sup>

Dividends, which derive from a reduction in share capital or the liquidation of a company, according to the fourth paragraph of Article 11 of Act No. 90/2003, are not considered as dividends for the purposes of the first paragraph.

Foreign exchange transactions and cross-border capital movements for payments under the provisions of this Article must occur within six months from the time the payments were acquired or could have been acquired by the owner or his representative.

[Prepayments and payments due to the calling in of loans or bankruptcy administration are not considered contractual payments in the sense of the first paragraph.

Foreign exchange transactions and cross-border capital movements for payments under the provisions of this Article are contingent upon the approval of the Central Bank of Iceland before they are executed. The Central Bank of Iceland sets rules <sup>3)</sup> on the implementation of these provisions.]<sup>1)4)</sup>

<sup>1)</sup> Act no. 35/2013, Art 9. <sup>2)</sup> Act no. 17/2012, Art 2 <sup>3)</sup> Reg. 300/2013. <sup>4)</sup> Reg. 127/2011, Art 3.

■ **[Article 13 k** Notwithstanding the ban under point 6 of the first paragraph of Article 13 b, cross-border capital movements, which are intended as gifts and grants from residents to non-residents, such as individuals, charitable organisations or comparable entities, are allowed for up to ISK 3,000,000 per calendar year. Capital movements for gifts and donations shall be

deposited into an account held by the recipient and the donor and grant provider shall be the truthful owners of the funds in question.

Wages, which a non-resident has earned in Iceland over the previous six months are exempt from this Act, pursuant to [second paragraph]<sup>1)</sup> and the first point of the third paragraph of Article 13 b. Furthermore, foreign exchange transactions due to such capital movements shall not be limited by ...<sup>1)</sup> Article 13 c. The same applies to the wages of residents who are located abroad for their jobs or studies. Student loans, unemployment benefits, pension payments, including old age and disability pension and social benefit allowances and other similar payments, are considered wages for the purposes of this paragraph.]<sup>2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 10 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **Article 13 l** All foreign currency acquired by residents, either for goods and services sold or acquired in another manner, shall be submitted [to a deposit account held by the resident in a domestic financial undertaking]<sup>1)</sup> in Iceland within three weeks from the time the foreign currency was acquired or could have been acquired by the owner or his representative. The obligation to submit foreign currency according to the first sentence is fulfilled by depositing the foreign currency to a foreign currency account with a financial undertaking in Iceland.

This requirement does not apply to residents who are living abroad for purposes of work or study]<sup>2)</sup>

<sup>1)</sup> Act no. 35/2013, Art. 11 <sup>2)</sup> Act no. 127/2011, Art. 3.

■ **Article 13 m** New domestic investments shall be unrestricted.

New investment in the sense of these provisions is an investment made after 31 October 2009 for the inflow of foreign currency, which is converted into domestic currency by a financial undertaking in Iceland. Derivative contracts are not considered to be new investments. Deposits in foreign currency accounts in domestic financial undertakings, which were made prior to 31 October 2009, and revenue from export trading are not considered to be new inflows of foreign currency.

Foreign exchange transactions, in which the new inflow of foreign currency is converted into domestic currency in accordance with the second paragraph, do not fall under the first paragraph of Article 13 c.

Investors shall, with the assistance of a financial undertaking in Iceland, notify the Central Bank of Iceland of the new investment within two weeks from the time when the new inflow of foreign currency is converted to domestic currency. This notification shall be accompanied by documentation that demonstrate it is a new investment in accordance with the provisions of this Article.

Upon the Central Bank's approval of funds being released by the sale of a new investment, such funds shall not be subject to restrictions<sup>1)</sup> under Article 13 b and Article 13 c]<sup>1)</sup>

<sup>1)</sup> Act no. 127/2011, Art. 3.

■ **Article 13 n** The Central Bank of Iceland and the Treasury are exempt from Article 13 b – Article 13 l]<sup>1)</sup> of this Act.

The following parties shall be exempt from Articles 13 b – 13 l]<sup>1)</sup> of this Act, with the exception of the third paragraph of Article 13 b, Article 13 c and Article 13 i:

1. Residents who are party to investment agreements with the Icelandic state.

2. Residents who operate under a licence [from the ministry which administers geological resource issues]<sup>2)</sup> to prospect for oil, pursuant to Act no. 13/2001.

The following parties are exempt from the first paragraph of Article 13 e, the first paragraph of Article 13 f and the provisions of Article 13 g and Article 13 h:

1. Companies in the majority ownership of the Treasury, operating under special Acts.
2. Municipalities and companies in the majority ownership of municipalities, operating under special Acts.

A legal entity, which the Financial Supervisory Authority has taken control over, by appointing a resolution committee or an provisional board of directors, and a legal entity, for which a district court judge has appointed a winding-up committee, pursuant to Act no. 161/2002, are exempt from ...<sup>3)</sup> Article 13 e, the first paragraph of Article 13 f, Article 13 g, Article 13 h and Article 13 l.

[Cash deposits in foreign currency held by legal entities, according to the fourth paragraph, in foreign financial undertakings or the Central Bank of Iceland as they stood at the end of the day on 12 March 2012 shall also be exempted from the ban provisions under the second paragraph of Article 13 b. The Central Bank of Iceland shall be notified of capital movements carried out on the basis of the first sentence of this paragraph. ...<sup>4)3)</sup>

Companies, that have more than 80% of their revenue and 80% of expenses abroad, may be exempted from the first paragraph of Article 13 e, the first paragraph of Article 13 f, Article 13 g, Article 13 h and Article 13 l. Those companies that consider themselves to fulfil the conditions of the first sentence of this paragraph, shall submit an application to the Central Bank of Iceland and demonstrate that they meet the criteria along with an attestation by a certified public accountant. The Central Bank of Iceland shall publish a list of the parties that are granted exemptions on the basis of this paragraph. Companies, which have been granted an exemption under this paragraph, shall, when 12 months have passed since receiving the Central Bank's approval of an exemption, demonstrate that they still meet the requirements of this paragraph and submit data in confirmation of the above to the Central Bank of Iceland, along with an attestation by a certified public accountant to that effect. These confirmations shall be submitted to the Central Bank at 12-month intervals thereafter. Should it transpire that the company no longer fulfils the conditions of this paragraph, the exemption will be voided.

Commercial banks, savings banks and credit institutions, which are regulated by the Financial Supervisory Authority, other than the legal entities that fall under the fourth paragraph, are authorised to conduct foreign exchange transactions between each other with direct transactions, forward agreements and swap agreements. Commercial banks, savings banks and credit institutions are also exempted from the provisions of Article 13 g, Article 13 h and Article 13 l. Commercial banks, savings banks and credit institutions are authorised to receive money market deposits in domestic currency from non-residents, in accordance with the provisions of Act No 161/2002.]<sup>5)</sup>

<sup>1)</sup> Act no. 35/2013, Art 12. <sup>2)</sup> Act no. 21/2012, Art 3, <sup>3)</sup> Act no. 17/2012, Art. 3, <sup>4)</sup> Act no. 16/2013, Art.4, <sup>5)</sup>Act no. 127/2011, Art 3.

■ **[Article 13 o** The provisions of Article 7 apply to the Central Bank of Iceland's power to grant exemptions to the provisions of Article 13 b – Article 13 n. However, no fee shall be collected for the granting of exemptions. The Central Bank may impose conditions for the

exemption. Notwithstanding the wording of Article 7, the Central Bank can grant general exemptions without prior applications to that effect. Applications for exemptions shall be submitted to the Central Bank by letter, along with the relevant documentation.

[If the following conditions are met, exemptions according to the first paragraph shall only be granted after consultation with the Minister, as well as the minister responsible for financial market issues, and after the Minister has explained its economic impact to the Economic and Trade Committee of the Althing:

a. exemptions concerning financial undertakings or legal entities, which the Financial Supervisory Authority has taken control of, by appointing a resolution committee or provisional board of directors, or a legal entity for which a district court judge has appointed a winding-up committee, pursuant to Act no. 161/2002, and this entails the authorisation to make foreign exchange transactions and cross-border capital movements for a sum that exceeds ISK 25 billion per year or

b. exemptions that concern legal entities with balance sheets in excess of ISK 400 billion, and which could have a considerable impact on the external debt position of the economy and the holdings of commercial banks.

Calculations of the amounts according to the second paragraph shall be based on the official Central Bank of Iceland fixing on the day in which the bank issues its decision.]<sup>1)</sup>

The Central Bank is authorised to adopt more detailed rules<sup>2)</sup> on the implementation of the provisions under Article 13 b – Article 13 n]<sup>3)</sup>

<sup>1)</sup> Act no. 16/2013, Art. 5, <sup>2)</sup> Reg. 300/2013, <sup>3)</sup> Act no. 127/2011, Art. 3.

■ **[Article 13 p** [Subject to daily fines as provided for under Article 15 h, there is an obligation to provide the Central Bank of Iceland with all information concerning foreign exchange transactions and capital movements, which it deems necessary to ensure that the party's activities comply with the provisions of Article 13 a – Article 13 o, Temporary Provisions II, the provisions of the first paragraph of Article 8 and other provisions that relate to restrictions on foreign exchange transactions and capital movements. In this context, it is irrelevant whether the information concerns the party the request has been directed at or whether it concerns another party, which it can provide information on and which is relevant to the Central Bank's investigation and supervision. Legal provisions on confidentiality shall not limit the obligation to disclose information and provide access to data.

When the restrictions under the provisions of Article 13 a – Article 13 o, Temporary Provisions II, provisions under the first paragraph of Article 8 and other provisions connected to restrictions on foreign exchange transactions and capital movements are no longer in effect, the Central Bank of Iceland shall delete the information collected on the basis of the first paragraph of this Article. However, this will not apply to documents relating to alleged violations of the Foreign Exchange Act and the information underlying the results of investigation into alleged violations.

The Central Bank of Iceland is authorised to set more detailed rules<sup>1)</sup> regarding the implementation of paragraphs 1 and 2, as well as registration and notification obligations with regard to the accounts of residents in foreign depository institutions, the submission of information, general disclosure and the filling of forms.]<sup>2)</sup><sup>3)</sup>

<sup>1)</sup> Reg. 300/2013 <sup>2)</sup> Act no. 35/2013, Art. 13 <sup>3)</sup> Act no. 127/2011, Art. 3.

■[Article 13 q ...<sup>1)2)</sup>

<sup>1)</sup> Act no. 16/2013, Art. 6 <sup>2)</sup> Act no. 127/2011, Art. 3.

■[Article 14]<sup>1)</sup> [The Central Bank of Iceland must be provided with any information on foreign exchange transactions which it requests, in order for it to perform its statutory monitoring duties, subject to daily fines pursuant to Article 15 h. Similarly, the Bank must be provided with all the necessary information for statistical purposes, pursuant to the provisions of the Central Bank of Iceland Act.]<sup>2)</sup> The Central Bank of Iceland is authorised to set more detailed rules regarding the execution of foreign exchange transactions, such as reporting and notification obligations with regard to the accounts of residents in foreign depository institutions, the submission of information, general disclosure and the filling of forms.]<sup>2)3)</sup>

<sup>1)</sup> Act no. 128/1999, Art. 2 <sup>2)</sup> Act no. 78/2010, Art. 3.

■[Article 15]<sup>1)</sup> The parties responsible for the implementation of this Act are bound by an obligation of confidentiality with regard to the affairs of individual customers and other matters which they may become privy to during the course of their duties, which is subject to professional secrecy in accordance with the law or the nature of the case, unless they are ordered by a court judge to disclose this information in a court of law or to the police, or if domestic law otherwise requires them to disclose this information. The obligation of confidentiality shall remain even after their employment ceases.

<sup>1)</sup> Act no. 128/1999, Art. 2.

■[Article 15. A. ...<sup>1)</sup>

□ The [Central Bank of Iceland]<sup>1)</sup> is authorised to impose administrative fines on any party violating:

1. Regulations set on the basis of Article 3 regarding restrictions or the suspension of certain short-term capital movements for up to six months.

2. Article 4 concerning restrictions on foreign exchange transactions with regard to capital movements due to the direct investment of non-residents in business operations, the trading of non-residents in the shares of domestic companies and non-residents' real estate purchases in Iceland.

[3. Article 8 regarding the intermediation of foreign exchange transactions and trading in foreign currency [or the regulations, which are set on the basis of it].<sup>2)3)</sup>

[4. ]<sup>3)</sup> Article 10 regarding the obligations of parties who conduct foreign exchange transactions to have information at hand on these services.

[5. ]<sup>3)</sup> Article 11 regarding the obligation of parties to comply with customers' requests to complete certain transactions.

[6. ]<sup>3)</sup> Article 12 regarding time limits within which to complete transactions.

[7. Article 13 a – Article 13 n regarding the ban on capital movements and foreign exchange transactions [or regulations, which are set on their basis.]<sup>1)4)</sup>

[8. ]<sup>4)</sup> Article 15 regarding the obligation of confidentiality.

□ Fines imposed on an individual may range in amount from ISK 10 thousand to [ISK 65 million]<sup>2)</sup>. Fines imposed on a legal entity may range in amount from ISK 50 thousand to [ISK 250 million]<sup>2)</sup>. The determination of fines shall, *inter alia*, take into account the

seriousness of the violation, its duration, the violating party's willingness to co-operate and whether the violation is repeated. [Decisions on administrative fines are enforceable by law.]<sup>1)</sup> Fines shall accrue to the State Treasury, net of collection costs. If administrative fines are not paid within a month from the decision [of the Central Bank of Iceland]<sup>1)</sup>, penalty interest shall be paid on the amount of the fine. The determination and calculation of the penalty interest shall be governed by the Act on Interest and Price Indexation.

Administrative fines will be imposed regardless of whether a law violation is committed intentionally or negligently.]<sup>5)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 4, also pursuant to Temporary Provisions in **s.1.** <sup>2)</sup> Act no. 35/2013, Art. 14, <sup>3)</sup> Act no. 73/2009, Art. 1, <sup>4)</sup> Act no. 127/2011, Art. 4 <sup>5)</sup> Act no. 134/2008, Art. 1.

■ **[Article 15 b** If a party has violated provisions of this Act or regulations based on the Act, the [Central Bank of Iceland]<sup>1)</sup> is authorised to conclude the matter by a settlement with the consent of the parties to the case, provided that no major violation subject to punitive sanctions is involved. The settlement is binding for a party to the case when that party has accepted and confirmed the substance of the settlement by its signature. [The Central Bank of Iceland]<sup>1)</sup> sets more detailed rules on the implementation of these provisions.]<sup>2)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 5 <sup>2)</sup> Act no. 134/2008, Art. 1.

■ **[Article 15 c** In proceedings directed against an individual which may conclude with the imposition of an administrative fine or a charge to the police, a person under reasonable suspicion of violation of the law is entitled to refuse to answer questions or surrender documents or any other effects unless it is possible to exclude the possibility that this may have significance for the determination of his or her violation. [The Central Bank of Iceland]<sup>1)</sup> shall inform the suspect of this right.]<sup>2)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 6 <sup>2)</sup> Act no. 134/2008, Art. 1.

■ **[Art. 15 d:** The power of [the Central Bank of Iceland]<sup>1)</sup> to impose administrative fines pursuant to his Act or regulations based on the Act shall lapse when five years have passed from the time that the conduct ceased.

The limitation period under the first paragraph is interrupted when [the Central Bank of Iceland]<sup>1)</sup> notifies the party of an investigation] of the alleged violation. The interruption of the limitation period has legal effect for all the parties involved in the violation.]<sup>2)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 7 <sup>2)</sup> Act no. 134/2008, Art. 1.

■ **[Art. 15 e:** [In connection with the investigation of a specific case, the Central Bank of Iceland may demand any information and documents it considers necessary from individuals and legal entities. In this context, it is irrelevant whether the information concerns the party the request has been directed at or whether it concerns the party's interactions with another party, which it can provide information on and which concerns the Central Bank's investigation and supervision. Legal provisions on confidentiality shall not limit the obligation to disclose information and provide access to documentation. However, this shall not apply to information obtained by legal professionals in the course of ascertaining the legal position of their client, including advice on instituting or avoiding proceedings, or information obtained before, during or after the conclusion of judicial proceedings, if the information is directly related to such proceedings. The Central Bank of Iceland may call upon individuals,



whom it considers to possess information relevant to the investigation, to report to the Bank for questioning.]<sup>1)</sup>

Should the Central Bank of Iceland be of the opinion that activities covered by this Act and regulations based on the Act are pursued without the required authorisation, it may demand such data and information as are necessary to determine whether such is the case. It can demand that such activities cease immediately. In addition, it may make public the names of parties regarded as offering services without the required authorisation.]<sup>1)</sup>

[The Central Bank of Iceland]<sup>1)</sup> may call for the assets of an individual or a legal entity to be arrested, if there is a reasonable suspicion that their conduct contravenes the provisions of this Act. The provisions of Article 88 of the Law on criminal procedure shall apply to the conditions and treatment of such a request, as appropriate.

[The Central Bank of Iceland is authorised to conduct special investigations and to seize data in accordance with the provisions of the Law on criminal procedure, if there are cogent reasons to suspect that individuals and legal entities have violated this Act or rules set on its basis or if there are grounds to assume that the Central Bank's investigations and measures will not otherwise achieve the desired results. The provisions of the Law on criminal procedure shall be applied to the execution of these measures.]<sup>1)</sup><sup>2)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 8 <sup>2)</sup> Act no. 73/2009, Art. 2.

■ **[Article 15 f** In investigating specific cases, the Central Bank of Iceland is authorised to collect information and data from other authorities, irrespective of their obligations of confidentiality.

The Central Bank of Iceland is authorised to approach the Financial Supervisory Authority for the collection of data related to the investigation of a specific case, insofar as the Financial Supervisory Authority's powers allow.

The Central Bank of Iceland is authorised to reciprocally exchange information with public authorities abroad on elements, which are covered by this Act, provided that this information is subject to a corresponding obligation of confidentiality in the relevant country.]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 9.

■ **[Article 15 g** The Central Bank of Iceland shall examine, as often as it deems necessary, whether the activities of parties, which are authorised to act as intermediaries in foreign exchange transactions, pursuant to the first paragraph of Article 8, comply with the provisions of this Act and rules set on its basis. Parties referred to in the first sentence are obliged to grant the Central Bank of Iceland access to all of the data in their possession relating to their activities, which the Central Bank deems necessary. In connection with its supervisory powers under this Act, the Central Bank can conduct onsite inspections or request information as often as it deems necessary.

Parties that are authorised to act as intermediaries in foreign exchange transactions, pursuant to the first paragraph of Article 8, are obliged to closely examine all transactions and envisaged transactions, where there is grounds to suspect that the transaction violates the provisions of this Act and rules set on its basis, and to notify the Central Bank of Iceland of the transaction without delay. The background and purpose of transactions of this kind shall be investigated as extensively as possible. Parties according to the first sentence shall provide any information deemed necessary for the notification.

□ Parties that are authorised to act as intermediaries in foreign exchange transactions, pursuant to the first paragraph of Article 8, and their directors and employees and others working on their behalf, shall ensure that it is not disclosed to the customer or other external parties that the Central Bank of Iceland has been notified of the suspicion in accordance with the second paragraph. Information provided in good faith under these provisions, by an entity or one of its employees, in accordance with the second paragraph, does not constitute a breach of the obligation of confidentiality, which the relevant individual may be bound to by law or any other means. Such disclosure shall neither subject the parties in question to criminal sanctions nor liability for damages.]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 9.

■ **[Article 15 h** The Central Bank of Iceland may impose daily fines on parties that do not provide requested information or do not take the remedial action demanded within a reasonable time limit. This provision applies both to legal entities and individuals. The same applies to parties that can provide information for the purpose of investigations pursuant to this Act. These daily fines shall be paid until the Central Bank's demand have been met. Fines shall be imposed from the date of the final deadline for the submission of the information to the date when the obligation has been fulfilled. Daily fines may amount to between ISK 10,000 and ISK 1 million per day. In determining the amount of the daily fine, the Bank is authorised to take into account the nature of the negligence or infringement and the financial strength of the relevant party.

□ If a lawsuit is filed to invalidate decisions according to Par 1 within 14 days of the relevant party being notified of it and, at the same time, the party requests a rapid procedure, fines cannot be collected until a court judgment has been passed. Despite any lawsuits to invalidate decisions according to the first paragraph, fines will continue to be imposed on the relevant party.

□ Uncollected daily fines shall not be cancelled even if the party later complies with the demands of the Central Bank of Iceland, unless by a specific decision of the Central Bank. Decisions regarding daily fines in accordance with this article are enforceable by law.

□ Daily fines shall accrue to the State Treasury, net of collection costs. More detailed provisions on decisions and the collection of daily fines may be stipulated in the regulations.]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 9.

■ **[Article 16** [Any violation of the following provisions is subject to fines or up to two years' imprisonment, if there are no more severe sanctions under other legislation:

1. Regulations set on the basis of Article 3 regarding restrictions or the suspension of certain short-term capital movements for up to six months.

2. Article 4 concerning restrictions on foreign exchange transactions with regard to capital movements due to the direct investment of non-residents in business operations, the trading of non-residents in the shares of domestic companies and non-residents' real estate purchases in Iceland.

[3. Article 8 regarding the intermediation of foreign exchange transactions and trading in foreign currency [or rules set on its basis].<sup>2),3)</sup>

[4. Article 13 a – Article 13 n regarding the ban on capital movements and foreign exchange transactions [or regulations, which are set on their basis].<sup>2),4)</sup>

[5.]<sup>4)</sup> Article 15 regarding the obligation of confidentiality.

<sup>1)</sup> Act no. 128/1999, Art. 2 <sup>2)</sup> Act no. 35/2013, Art. 15 <sup>3)</sup> Act no. 73/2009, Art. 3 <sup>4)</sup> Act no. 127/2011, Art. 5 <sup>5)</sup> Act no. 134/2008, Art. 2.

■ **[Article 16 a]** Violations of this Act and rules set on its basis are subject to fines or imprisonment whether committed intentionally or negligently.

□ Direct or indirect profit gained by a violation that is subject to fines or imprisonment by the provisions of this Act may be confiscated by a court judgment.

□ Attempted violations or participation in violations pursuant to this Act and rules set on its basis are punishable under the provisions of the General Penal Code.]<sup>1)</sup>

<sup>1)</sup> Act no. 134/2008, Art. 3.

■ **[Article 16 b]** Violations of this Act and rules set on its basis are subject to criminal investigation only following charges submitted by the [Central Bank of Iceland]<sup>1)</sup> to the police.

□ If an alleged violation of this Act and rules set on its basis are subject to both administrative fines and penal sanctions, the [Central Bank of Iceland]<sup>1)</sup> shall assess whether the case shall be referred to the police or concluded by an administrative decision of the [Central Bank of Iceland].<sup>1)</sup> If the violations are major, the [Central Bank of Iceland]<sup>1)</sup> shall refer them to the police. A violation is considered to be major if it involves substantial amounts, is of a particularly gross nature or under any conditions that significantly aggravate the criminality of the violation. Furthermore, the [Central Bank of Iceland]<sup>1)</sup> may, at any stage of an investigation, refer a case involving violation of this Act for criminal investigation. Consistency shall be maintained in the resolution of equivalent cases.

□ Referrals by [the Central Bank of Iceland]<sup>1)</sup> shall be accompanied by copies of the documents on which the suspicion of violation is based. The provisions of Chapters IV-VII of the Administrative Procedures Act shall not apply to any decision of [Central Bank of Iceland]<sup>1)</sup> to refer a case to the police.

□ The [Central Bank of Iceland]<sup>1)</sup> is authorised to provide the police and Public Prosecutor with information and documentation, which [the Central Bank]<sup>1)</sup> has gathered and relates to the violations specified under the second paragraph. [The Central Bank of Iceland]<sup>1)</sup> is authorised to take part in police actions related to their investigation into the violations specified under the second paragraph.

□ The Police and Public Prosecutor are authorised to provide the [Central Bank of Iceland]<sup>1)</sup> with information and documentation which [has been collected]<sup>1)</sup> and relates to the violations specified under the second paragraph. The police is authorised to take part in actions [taken by the Central Bank of Iceland]<sup>1)</sup>, which concern investigations into the violations specified under the second paragraph.

□ If the prosecutor is of the opinion that there are no grounds for legal action in relation to alleged criminal conduct which is also subject to administrative sanctions, the prosecutor may refer the case back to the [Central Bank of Iceland]<sup>1)</sup> for processing and a decision.]<sup>2)</sup>

□ [The Central Bank of Iceland shall inform the Financial Supervisory Authority on cases referred to the police regarding parties which fall under the Act on the Official Supervision of Financial Operations for a violation of this Act or regulations based on it.]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 10 <sup>2)</sup> Act no. 134/2008, Art. 3.

■[**Article 16 c** If the party is not satisfied with the Central Bank of Iceland's decision, it can file a lawsuit in a court to have it overturned. A lawsuit must be filed within three months of the party being notified of the decision. Legal action does not delay the legal effects of a decision, nor the authorisation to enforce it, in accordance with the second paragraph of Article 15 h:]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 11.

■[**Article 16 d** The Central Bank of Iceland may make public the results of cases and investigations relating to the provisions of this Act, unless such a publication is considered to jeopardise the interests of the financial market, and provided that it does not affect its interests as such or cause damage to the parties involved, which is disproportionate to the offence in question. The Central Bank of Iceland shall publicly present the policy it is following on such a publication.]<sup>1)</sup>

<sup>1)</sup> Act no. 78/2010, Art. 11.

■[**Article 17** <sup>1)</sup> [[The Minister]<sup>2)</sup> is responsible for the implementation of this Act. The Ministers sets the rules<sup>3)</sup> regarding its implementation.]<sup>4)</sup> [The Central Bank of Iceland shall ensure that parties' activities comply with this Act. ...<sup>5)</sup><sup>6)</sup>

<sup>1)</sup> Act no. 128/1999, Art. 2 <sup>2)</sup> Act no. 126/2011, Art. 169, <sup>3)</sup>Reg. 679/1994 (on Foreign Exchange). Reg. 13/1995. Reg. 56/2000. <sup>4)</sup> Act no. 128/1999, Art. 3, <sup>5)</sup> Act no. 78/2010, Art.12 <sup>6)</sup> Act no. 134/2008, Art. 4.

■[**Article 18**]<sup>1)</sup> This Act shall immediately enter into effects. ...

<sup>1)</sup> Act no. 128/1999, Art. 2.

### Temporary provisions ...

■I. [[The Central Bank can]<sup>1)</sup> impose its [conditions on foreign exchange transactions with regard to the internal organisation and investment policy of customers, their holdings and financing, the minimum period for the custodianship of share or share certificates issued by customers, their allocation of currency to specified investments and the minimum period of their investments.

[The Minister shall publish reports on the progress made in the plan to remove restrictions on the cross-border movement of capital and foreign exchange transactions every six months until these restrictions have been completely removed. The first report, in accordance with the first sentence, shall be published within six months of this Act entering into effect.]<sup>1)</sup><sup>2)</sup>

<sup>1)</sup> Act no. 16/2013, Art. 7 <sup>2)</sup> Act no. 127/2011, Art. 6.

■[II. Notwithstanding the provisions of Art 2, payments for the exporting of goods and services ...<sup>1)</sup> shall be made in foreign currency.

If export trading is conducted between related parties, it shall be conducted on the basis of the general terms and practices of trading between unrelated parties.

The Minister can set more detailed provisions in the regulations<sup>2)</sup> regarding the implementation of these provisions, regarding i.a. transactions between related parties.

Moreover, the Minister is authorised to prescribe obligations for parties to regularly submit reports on their export trading, the disposal of their sale value and other elements connected to their exportation.

Violations of these provisions are subject to administrative fines and penalties in accordance with Art. 15(a) – 15(d), Art. 16, Art. 16(a) and Art. 16(b).<sup>3)</sup>

1) Act no. 16/2013, Art. 8, 2) Reg. 543/2009 cf. 803/2010, 3) Act no. 27/2009, Art. 3.