

# ACT

## **Amending the Foreign Exchange Act, no. 87/1992, with subsequent amendments (rules on capital controls, revocation of exemptions, etc.)**

### Article 1

Article 13(c), Paragraph 2 shall be amended to include two new sentences, which shall be worded as follows: Legal entities undergoing winding-up proceedings as provided for in Article 101 of the Act on Financial Undertakings, legal entities that have concluded winding-up proceedings in accordance with Article 103(a) of the same Act, and legal entities that have been established in connection with the implementation of a composition agreement for the above-specified legal entities are prohibited from engaging in foreign exchange transactions with any parties other than commercial banks or savings banks in Iceland, if domestic currency is a constituent of the transaction concerned. The restrictions provided for in the third sentence of this Paragraph do not apply to foreign exchange transactions undertaken by the entities listed therein if such entities use foreign currency in their possession to make distributions to creditors that have claims in domestic currency in connection with insolvency proceedings or implementation of composition agreements.

### Article 2

The following amendments shall be made to Article 13(g) of the Act:

- a. Paragraph 1 shall be amended to include a new sentence, which shall be worded as follows: Legal entities undergoing winding-up proceedings as provided for in Article 101 of the Act on Financial Undertakings, legal entities that have concluded winding-up proceedings in accordance with Article 103(a) of the same Act, and legal entities that have been established in connection with the implementation of a composition agreement for the above-specified legal entities are not covered by the exemption provided for in the first sentence as regards lending and borrowing between companies in the same group.
- b. Paragraph 3, Item 1 shall be worded as follows: The loan period is at least two years, and payments on the loan agreement are not based on provisions that could result in the borrower's being obliged to or authorised to accelerate the payment profile in excess of predefined instalments or to pay the loan in full before the final maturity date.

### Article 3

Article 13(h), Paragraph 2 shall be amended to include a new sentence, which shall be worded as follows: Legal entities undergoing winding-up proceedings as provided for in Article 101 of the Act on Financial Undertakings, legal entities that have concluded winding-up proceedings in accordance with Article 103(a) of the same Act, and legal entities that have been established in connection with the implementation of a composition agreement for the above-specified legal entities are not covered by the exemption provided for in the first sentence as regards guarantees between companies in the same group, unless such guarantees are granted in connection with trade in goods and services or if the loan for which a guarantee is granted satisfies the conditions set forth in Article 13(g), Paragraph 3.

### Article 4

The following amendments shall be made to Article 13(j) of the Act:

- a. The following shall be added to the second sentence of Paragraph 1: provided that the loan period is at least two years or the loan was granted for payments to a non-resident in connection with trade in goods and services.

- b. Paragraph 5 shall be amended to include two new sentences, which shall be worded as follows: Furthermore, instalment payments on intragroup loans and payments to non-residents for past-due intragroup guarantees are not exempt from the prohibitions provided for in Article 13(c), Paragraphs 2 and 3, unless such loans or guarantees were granted in connection with trade in goods and services or they satisfy the conditions set forth in Article 13(g), Paragraph 3. Instalment payments on loans or payments made to non-residents for past-due guarantees, including intragroup loans and guarantees, where the borrower and/or the guarantor is a legal entity undergoing winding-up proceedings as provided for in Article 101 of the Act on Financial Undertakings, a legal entity that has concluded winding-up proceedings in accordance with Article 103(a) of the same Act, or a legal entity that has been established in connection with the implementation of a composition agreement for the above-specified legal entities shall not be exempt from the prohibitions provided for in Article 13(c), Paragraphs 2 and 3, unless such loans or guarantees were granted in connection with trade in goods and services.
- c. Paragraph 8 shall be worded as follows:
- Prepayments, payments due to either acceleration of loans or insolvency administration, and payments on loan agreements that do not satisfy the conditions set forth in Article 13(g) are not considered contractual instalments in the sense of Paragraph 1. Furthermore, payments and other distributions according to the provisions of a composition agreement, payments in accordance with debt instruments issued in connection with a composition agreement, or payments carried out in some other way, when the above-described payments are disbursed for the purpose of distributing the assets of entities that are undergoing winding-up proceedings or that have concluded such winding-up proceedings with a composition agreement, are not considered contractual instalments in the sense of Paragraph 1.

#### Article 5

The following amendments shall be made to Article 13(m) of the Act:

- a. The second sentence of Paragraph 2 shall read as follows: Direct or indirect investments in derivatives contracts and in claims against entities that either are undergoing winding-up or insolvency proceedings or have concluded winding-up or insolvency proceedings with a composition agreement entailing distribution of assets to creditors are not considered new investments.
- b. In the third sentence of Paragraph 2, the words “and revenue from export trading are not considered to be new inflows of foreign currency” shall be replaced by: revenues from export trade and other foreign currency subject to repatriation requirements, cf. Article 13(l), are not considered new inflows of foreign currency.

#### Article 6

In Article 13(n), Paragraph 4, the words “are exempt from Article 13 e, the first paragraph of Article 13 f, Article 13 g, Article 13 h and Article 13 l” shall be replaced by: are exempt from Article 13(l) in instances other than those due to borrowings according to Article 13(g).

#### Article 7

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 be binding upon all parties immediately upon publication.

*Passed by Parliament on 7 June 2015.*