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RULES

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

Amended with Rules no. 518/2016 (took effective 14 June 2016) and Rules no. 985/2016 (took effect 19 November 2016)

CHAPTER I

General provisions

Article 1

Objectives

The objective of these Rules is to contribute to consistent procedures and criteria for the implementation of Articles [5,]¹ 11 and 12 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016.

CHAPTER II

Authorisations for withdrawals from accounts subject to special restrictions

Article 2

General authorisation for withdrawal of interest and indexation of interest

Requests for Central Bank confirmation of the authorisation to withdraw interest or indexation of interest from accounts subject to special restrictions pursuant to Article 11 of Act no. 37/2016 shall be submitted by the financial institution acting as an intermediary for the withdrawal.

The Central Bank confirmation provided for in Paragraph 1 shall be sent in electronic form to the contact person at the financial institution acting as an intermediary for the withdrawal.

The following information and documentation shall accompany requests for confirmation according to Paragraph 1, as appropriate:

1. Interest and indexation of interest on bonds:
 - a. Date of request for confirmation.
 - b. Name and national identification number of issuer.
 - c. Identity number/Name of issue.
 - d. ISIN number of issue.
 - e. Date of issue.
 - f. Maturity date.
 - g. Auction exchange rate.
 - h. Nominal value.
 - i. Date of bond purchase.
 - j. Amount.
 - k. Date of bond sale.
 - l. Sale value.
 - m. Interest period.
 - n. Settlement date.
 - o. Interest rate and amount.
 - p. Indexation of interest.
 - q. Commission amount.
 - r. Investment tax (Financial income tax).
 - s. Name, national identification number, and address of investor.
 - t. Domicile of investor.
 - u. Investor's bank account information.

¹ Article 1 of Rules no. 518/2016.

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- v. Name and national identification number of securities custodian.
 - w. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for the withdrawal.
 - x. Settlement receipt for the bond sale, confirmed by the financial institution concerned by means of employee signature and stamp.
 - y. Settlement receipt for payment of interest, confirmed by the financial institution concerned.
 - z. If no settlement receipt for interest payments is available because the bond was sold before the interest payment date, a settlement receipt for the sale, confirmed by the party concerned.
2. Interest and indexation of interest on deposits held in accounts subject to special restrictions:
 - a. Date of request for confirmation.
 - b. National identification number of financial undertaking.
 - c. IBAN number of account for interest payments.
 - d. Interest payment date.
 - e. Interest period.
 - f. Principal before interest payment.
 - g. Average interest rate for the period.
 - h. Interest amount.
 - i. Number of days.
 - j. Name, national identification number, and address of investor.
 - k. Investor's country/domicile.
 - l. IBAN number of investor's account.
 - m. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for the withdrawal.
 - n. Information on the disbursement of the interest payment, confirmed by the financial institution concerned.
3. Interest on certificates of deposit issued by the Central Bank of Iceland:
 - a. Date of request for confirmation.
 - b. Nominal value.
 - c. Date of purchase of certificates of deposit.
 - d. Amount.
 - e. Interest period.
 - f. Interest rate and amount.
 - g. Commission amount.
 - h. Investment tax (Financial income tax).
 - i. Owner's name/title, national identification number, and address.
 - j. Owner's country/domicile.
 - k. Owner's account information.
 - l. Name and national identification number of securities custodian.
 - m. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for the withdrawal.
 - n. Settlement receipt for the purchase of the certificates of deposit, confirmed by the financial institution concerned.
 - o. Settlement receipt for payment of interest, confirmed by the financial institution concerned.

Requests for confirmation according to Paragraph 1, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland at the e-mail address

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ge.offshore@sedlabanki.is. The request shall be accompanied by calculations. The Central Bank decides in what form the request for confirmation shall be submitted.

Article 3

General authorisation for withdrawal of dividend payments

Requests for Central Bank confirmation of the authorisation to withdraw dividends from accounts subject to special restrictions pursuant to Article 11 of Act no. 37/2016 shall be submitted by the financial institution acting as an intermediary for the withdrawal.

The Central Bank confirmation provided for in Paragraph 1 shall be sent in electronic form to the contact person at the financial institution acting as an intermediary for the withdrawal.

The following information and documentation shall accompany requests for confirmation or notifications according to Paragraph 1, as appropriate:

- a. Date of request for confirmation.
- b. Name and national identification number of payer of dividend.
- c. Country/Domicile of payer of dividend.
- d. Identity number/name of payer of dividend.
- e. ISIN number of payer of dividend.
- f. Currency of share capital issuance.
- g. Nominal value of asset.
- h. Date of share capital purchase.
- i. Dividend payment date.
- j. Dividend percentage.
- k. Dividend amount.
- l. Dividend currency.
- m. Investment tax (Financial income tax).
- n. Name and national identification number of auditor.
- o. Name and national identification number of shareholder.
- p. Shareholder's address.
- q. Shareholder's country/domicile.
- r. IBAN number of shareholder's foreign currency account.
- s. Name and national identification number of securities custodian.
- t. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for the withdrawal.
- u. A receipt for the dividend payment if the payer is a company listed on an equity securities market, or a confirmation from the payer's chartered accountant if the payer is not listed on an equity securities market, plus the annual accounts for the preceding operational year.

Requests for confirmation according to Paragraph 1, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland at the e-mail address ge.offshore@sedlabanki.is. The Central Bank decides in what form the request for confirmation shall be submitted.

Article 4

Individuals' authorisations for withdrawals

Requests for Central Bank confirmation of the authorisation to withdraw funds from accounts subject to special restrictions pursuant to Article 12, Paragraph 1 of Act no. 37/2016 shall be submitted by the beneficial owner of the funds. The following information and documentation shall accompany requests for confirmation:

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- a. A statement showing the balance on the individual's bank account with a domestic financial institution, dated 22 November 2008.
- b. A recent statement, dated no more than two weeks prior to the date of the application, showing the balance on the individual's account with a domestic financial institution.
- c. A statement of activity on the individual's account with a domestic financial institution from 28 November 2008 onwards, showing the activity on the individual's custodial account for securities and bank account.

Requests for Central Bank confirmation of the authorisation to withdraw funds from accounts subject to special restrictions pursuant to Article 12, Paragraph 2 of Act no. 37/2016 shall be submitted by the registered owner or payer of the funds. The following information and documentation shall accompany requests for confirmation:

- a. Confirmation of escrow payment of the funds concerned.
- b. Documentation confirming the ownership of claims on the date the funds were paid into escrow and on 22 May 2016.

Requests for confirmation according to Article 12, Paragraph 1 or Article 12, Paragraph 2, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland at the e-mail address ge.offshore@sedlabanki.is. The Central Bank decides in what form the request for confirmation shall be submitted.

CHAPTER III

Article 5.

Takeover by the Central Bank of Iceland of the rights and obligations of the account operator

[Upon the transfer of electronically registered securities to an administrative account with the Central Bank of Iceland, in the name of the custodian concerned, in accordance with the instructions in Article 5, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, the Central Bank of Iceland takes over the rights and obligations of the account operator in the sense of the Act on Electronic Registration of Title to Securities, as of the day the Central Bank formally took custody of the offshore króna assets, in each instance, in the administrative account in the name of the custodian. Those obligations of the account operator that were established prior to that time, whether contractual or non-contractual, are the responsibility of the previous account operator and not the Central Bank.]²

[The Central Bank of Iceland is not considered the owner of electronically registered securities in administrative accounts. Administrative accounts do not confer voting rights at shareholders' meetings.]³

Article 6.

Execution of transfer of electronically registered securities

[The custodian shall provide the Central Bank with itemised information on the electronically registered securities, together with any information on the custodian that the Bank may request and is necessary for the transfer, including information for communications purposes, cf. Article 9 of these Rules, at least seven business days prior to the transfer.

The Central Bank of Iceland will establish an administrative account in the name of the custodian in connection with the transfer according to this Article and will notify the custodian of the administrative account number with the Nasdaq CSD Iceland hf. securities depository, provided that the custodian has furnished the Bank with the information according to Article 7, Paragraph 1 of these Rules.

² Article 2, Item (a) of Rules no. 518/2016.

³ Article 1 of Rules no. 985/2016.

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The electronically registered securities shall be delivered to the transfer zone in the national ID number of the Central Bank of Iceland. The Central Bank will request that the securities depository assign the electronically registered securities in question a provisional international ISIN identity code for securities before depositing them to the custodian's administrative account.]⁴

Article 7.

Custodian's due diligence statement

[Upon transferring the electronically registered securities [pursuant to Article 5, Paragraph 1. of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions]⁵, the custodian shall provide the Central Bank with a statement, in any form the Central Bank chooses, that includes the following:

1. A statement that the custodian is in possession of information concerning the beneficial owner and origins of the funds.
2. A statement by the custodian that the beneficial owner of the funds is not subject to sanctions pursuant to the Act on Implementation of International Sanctions.

The custodian shall submit the following documentation to the Central Bank upon request:

1. A detailed description of the method used to carry out the due diligence analysis provided for in Paragraph 1. If the custodian has relied on information from a third party, it shall also be able to describe the methods used by the third party to carry out the due diligence analysis.
2. Copies of the relevant documentation (the depository's own or third-party documentation) confirming the identity of the beneficial owner.
3. The name of the beneficial owner and, if applicable, related legal entities with respect to payments of interest, principal, and dividends, and any other payments due to the offshore króna assets in the administrative account with which the Central Bank is involved as account operator.
4. A list of the names of beneficial owners and, if applicable, the names of the legal entities to which they are connected.

The custodian is authorised to deliver the documentation according to Paragraph 2 to the Central Bank at any time, without prior request from the Bank.]⁶

[If a custodian relies on information from a third party, cf. the authorisation in Article 16 of the Act on Measures to Prevent Money Laundering and Terrorist Financing, it is sufficient that the custodian provide the Bank with a statement to this effect, which shall take the place of the statement provided for in Paragraph 1.]⁷

Article 8.

Transfers of offshore króna assets between administrative accounts

[...]^{8 9}

Article 9.

Communications with the Central Bank

[Custodians are authorised to provide instructions on transfers according to Article 8, or on other disposals of offshore króna assets that are permissible according to these Rules or the Act on the

⁴ Article 2, Item (b) of Rules no. 518/2016.

⁵ Article 2, Item (a) of Rules no. 985/2016.

⁶ Article 2, Item (c) of Rules no. 518/2016.

⁷ Article 2, Item (b) of Rules no. 985/2016.

⁸ Article 2, Item (d) of Rules no. 518/2016.

⁹ Article 3 of Rules no. 985/2016.

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Treatment of Króna-Denominated Assets Subject to Special Restrictions, either electronically or in writing; i.e., by SWIFT instructions, by fax, or by e-mail. The instructions shall contain all of the necessary information; i.e., nominal value, ISIN identity code, description of the securities, transaction date, and settlement date.

The Central Bank of Iceland may refuse to execute the instructions according to Paragraph 1 if it suspects that they do not come from the custodian.

The custodian shall provide the Central Bank with information on the address, e-mail address, SWIFT BIC, telephone number, and/or fax number that the Bank needs in order to communicate with the custodian about the administrative account.]¹⁰

Article 10.

Information disclosure concerning the balance on the administrative account

[The Central Bank sends the custodian a monthly statement showing the balance on the administrative account.

All queries on the administrative account shall be directed to the Central Bank of Iceland Finance Department at the e-mail address bakvinnsla@sedlabanki.is, or at the SWIFT BIC: SISLISRE.

The Central Bank will notify the custodian, in electronic form, such as by SWIFT message or by e-mail, of any information on company actions that it receives and that pertain to the electronically registered securities.]¹¹

Article 11.

Payments of interest, dividends, and instalments; prepayments and/or final payments

[Settlement and redemption of electronically registered securities shall take place in Icelandic krónur, which shall be deposited to accounts subject to special restrictions as is described in this Article, in accordance with Article 5, Paragraph 3 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.

If payments of interest or dividends are made on electronically registered securities, the Central Bank shall so notify the custodian of the securities and pay the interest to the custodian, which shall then remit payment to the relevant accounts subject to special restrictions. In the event of instalments, prepayments, and/or final payments, the same shall apply.

In all instances wherein the payments according to Paragraphs 1 and 2 are denominated in foreign currency, settlement shall take place in Icelandic krónur in the following manner: the foreign currency shall be exchanged for Icelandic krónur at the Central Bank of Iceland's official reference exchange rate on the date the payment was received, and the Icelandic krónur shall be deposited to an account owned by the custodian, which shall remit payment to the appropriate account subject to special restrictions.]¹²

Article 12.

Participation in shareholders' meetings

[If an owner of offshore króna assets in the form of equity securities requests to participate in a shareholders' meeting, the custodian shall notify the Central Bank of the name and national ID number of the beneficial owner and the nominal value of the owner's holdings at least two business days prior to the shareholders' meeting. The Central Bank opens an account at the securities depository in the name of the beneficial owner of which it has been notified and transfers the holding to the

¹⁰ Article 2, Item (e) of Rules no. 518/2016.

¹¹ Article 2, Item (f) of Rules no. 518/2016.

¹² Article 2, Item (g) of Rules no. 518/2016.

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account so that the owner appears in shareholder registers before the end of the day prior to the shareholders' meeting. If ownership changes after the notification from the custodian according to the first sentence and before the shareholders' meeting, the Central Bank shall be so notified as soon as possible. Following the shareholders' meeting, the Central Bank shall request that the assets be transferred back to the administrative account of the custodian concerned.]¹³

Article 13.

Direct-debit of administration fees

[The Central Bank of Iceland debits the custodian's real-time gross settlement (RTGS) account with the Central Bank of Iceland for the amount of the administration fees pursuant to Article 13 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, in accordance with a tariff set by the Bank.]¹⁴

Article 14.

Implementation of custodianship of administrative accounts

[The Central Bank of Iceland will receive payments from individual issuers of electronically registered securities on behalf of custodians, including dividend payments, if the custodian so requests.

The Central Bank of Iceland holds electronically registered securities in administrative accounts separate from its own assets. The same applies to payments in connection with such securities according to Paragraph 1.]¹⁵

CHAPTER IV

Ministerial approval and entry into force

Article 15

Ministerial approval

These Rules have been approved by the Minister of Finance and Economic Affairs. The approval is published as an attachment to these Rules.

Article 16

Entry into force

These Rules, which are set on the basis of Article 25, Paragraph 2 of Act no. 37/2016, shall enter into force immediately.

Reykjavík, 24 May 2016

Central Bank of Iceland

Már Guðmundsson
Governor

Ingibjörg Guðbjartsdóttir
Director, Capital Controls Surveillance Unit

¹³ Article 2, Item (h) of Rules no. 518/2016.

¹⁴ Article 2, Item (i) of Rules no. 518/2016.

¹⁵ Article 4 of Rules no. 985/2016.

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Attachment

Ministerial approval

With reference to the second sentence of Article 25, Paragraph 2 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, the Minister of Finance and Economic Affairs has approved the Central Bank of Iceland Rules on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.

Ministry of Finance and Economic Affairs, 23 May 2016

Bjarni Benediktsson

Minister of Finance and Economic Affairs

Guðrún Þorleifsdóttir

Section B – Date of issuance: 24 May 2016