

RULES

Amending the Rules on Foreign Exchange, no. 200/2017

Article 1

The following amendments shall be made to Article 2 of the Rules:

- a. The following shall be inserted after the words “Cross-border movement of capital” in Paragraph 1: in foreign currency
- b. The words “-3 of the same Article, except for transfers of domestic currency deriving from transactions with offshore króna assets falling under scope of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.” in Paragraph 1 shall be replaced by the words: and 2 of the same Article.
- c. A new paragraph, Paragraph 2, shall be added, and it shall read as follows:
Cross-border movement of capital in domestic currency pursuant to Article 13(b), Paragraph 1, Items 1-4 and Item 6 of the Foreign Exchange Act are exempt from the restrictions laid down in Paragraphs 1 and 3 of the same Article, except for movement of capital deriving from:
 1. Transactions with offshore króna assets falling under the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.
 2. Exportation of the following securities, when investment in them has not fallen under the special reserve base described in Article 2 of the Rules on Special Reserve Requirements for New Foreign Currency Inflows:
 - a. Bonds or bills issued in domestic currency and electronically registered pursuant to the Act on Electronic Registration of Title to Securities.
 - b. Unit share certificates of funds that invest in bonds or bills issued in domestic currency and electronically registered pursuant to the Act on Electronic Registration of Title to Securities, or that own domestic currency deposits held at deposit institutions in Iceland, if cash and deposits bearing annual interest of 3.00% or more constitute 10% or more of the funds’ assets.
 3. The following disposals, other than those creating a special reserve base as described in Article 2 of the Rules on Special Reserve Requirements for New Foreign Currency Inflows, when payment is made, directly or indirectly, by withdrawal from an account held by a foreign financial undertaking (Vostro account):
 - a. Investments in securities pursuant to Items 2(a) and 2(b).
 - b. Deposits in domestic currency with deposit institutions in Iceland that bear annual interest of 3.00% or more.
 - c. Investments in the equity of a company that invests or allocates funds, directly or indirectly, in the manner described in Points (a) and (b) of this Item.
 - d. Loans granted to a resident and used for investment for the benefit of the lending pursuant to Points (a)-(c) of this Item.
- d. A new numbered subparagraph shall be added to Paragraph 2, and it shall read as follows:
8. Forward contracts, options contracts, currency and interest rate swap agreements, and other derivatives contracts.
- e. A new paragraph, Paragraph 4, shall be added, and it shall read as follows:
The following cross-border movement of domestic currency shall be notified to the Central Bank of Iceland:
 1. Investments in securities, unit share certificates, mutual and investment funds, money market instruments, other negotiable financial instruments, monetary claims, and other comparable claims in domestic currency.
 2. Importation and exportation of securities.

3. Deposits to or withdrawals from accounts held in Iceland by foreign financial undertakings (Vostro accounts).
 4. Inward foreign direct investment, including long-term lending.
 5. Forward contracts, options contracts, and other derivatives contracts, but not currency and interest rate swap agreements.
- f. In Paragraph 3, “2” shall be replaced by the words: 3 and 4.

Article 2

The following amendments shall be made to Article 4 of the Rules:

- a. A new sentence shall be added to Paragraph 2 and shall read as follows:
Settlement of transactions with the following financial instruments is not exempt from the restrictions laid down in Article 13(e), Paragraphs 3 and 4, however:
 - a. Bonds or bills issued in domestic currency and electronically registered pursuant to the Act on Electronic Registration of Title to Securities.
 - b. Unit share certificates of funds that invest in bonds or bills issued in domestic currency and electronically registered pursuant to the Act on Electronic Registration of Title to Securities, or that own domestic currency deposits held at deposit institutions in Iceland, if cash and deposits bearing annual interest of 3.00% or more constitute 10% or more of the funds’ assets.
 - c. The equity of a company that invests or allocates funds, directly or indirectly, in the manner described in Items (a) and (b).
- b. The words “Investments pursuant to Paragraph 1 shall” in Paragraph 5 shall be replaced by: Transactions pursuant to Paragraphs 1 and 2 shall

Article 3

The following amendments shall be made to Article 5 of the Rules:

- a. The words: “domestic and” in Paragraph 1 are deleted.
- b. The words “Paragraph 2” in Paragraph 1 shall be replaced by the words: Paragraph 3 of this Article.
- c. A new paragraph, Paragraph 2, shall be added, and it shall read as follows:
Borrowing and lending in domestic currency between residents and non-residents are exempt from the restrictions laid down in Article 13(g), Paragraphs 1 and 2 of the Foreign Exchange Act, cf. Paragraph 3 of this provision, except for loans in domestic currency from residents to non-residents and disposed of, directly or indirectly, as is described in Paragraph 1, Items (a)-(d) of this Article.
- d. The words: “foreign currency loans” in Paragraph 3 shall be replaced by: loans.
- e. The following shall be inserted after the words “Paragraph 1, Items (a)-(d)” in Paragraph 3: or Paragraph 2.
- f. In Paragraph 4, “2” shall be replaced by: 3.

Article 4

The following amendments shall be made to Article 7 of the Rules:

- a. A new paragraph, Paragraph 3, shall be added, and it shall read as follows:
Derivatives transactions due to hedging in connection with bonds issued abroad in domestic currency do not fall under the exemption provided for in the first sentence of Paragraph 1.
- b. The words “before the end of the first business day of each calendar month of outstanding derivatives contracts pursuant to Paragraph 1 with their clients” in Paragraph 4 shall be replaced by: of derivatives transactions with their clients in which domestic currency is used in a contract against foreign currency.
- c. The words “pursuant to Paragraph 4” in Paragraph 6 are replaced by: pursuant to Paragraph 5.

Article 5

The following amendment shall be made to Article 13 of the Rules:

- a. In Paragraph 4, “outstanding derivatives contracts pursuant to Article 7, Paragraph 4” shall be replaced by: derivatives transactions pursuant to Article 7, Paragraph 5.

Article 6

The following amendments shall be made to Article 15 of the Rules:

- a. The words “Paragraph 2, Items 1-7” in Paragraph 1 are replaced by: Paragraph 3, Items 1-8 and Paragraph 4, Items 1-5.
- b. The words “within five days of the date payment is made” in Paragraph 1 are deleted.
- c. The following shall be inserted after the words “implementation of these Rules” in Paragraph 2: within five business days of the date payment takes place, and monthly summaries within five business days from the last day of the month covered by the summary. The notification requirement shall be as is further specified in the guidelines,

Article 7

These Rules are set in accordance with the authority contained in Article 13(b), Paragraph 4; Article 13(c), Paragraph 5; Article 13(j), Paragraph 9; Article 13(n), Paragraph 15; Article 13(o), Paragraphs 4 and 5; Article 13(p), Paragraph 3; and Article 14, Paragraphs 1 and 3 of Act no. 87/1992, with subsequent amendments. These Rules shall take effect immediately.

Reykjavík, 26 June 2017

Central Bank of Iceland

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