



FINANCIAL SUPERVISION COMMITTEE

RULES OF PROCEDURE

Article 1

General

- 1.1. The Central Bank of Iceland operates pursuant to the Act on the Central Bank of Iceland, no. 92/2019 (hereinafter referred to as *the Central Bank Act* or *the Act*), and its objective is to promote price stability, financial stability, and sound and secure financial activities. The Central Bank of Iceland shall undertake such tasks as are consistent with its role as a central bank, such as maintaining international reserves and promoting a safe, effective financial system, including domestic and cross-border payment intermediation.
- 1.2. The Financial Supervision Committee Rules of Procedure are adopted with reference to Article 16, Paragraph 2 of the Act on the Central Bank of Iceland, no. 92/2019.
- 1.3. These Rules contain provisions on key aspects of the role of the Financial Supervision Committee, including the transfer of authority for non-major decision-making to the Deputy Governor for Financial Supervision; meetings of the Financial Supervision Committee; eligibility of Committee members; the preparation, rationale, and publication of the Committee's decisions; etc.

Article 2

Role, structure, and tasks of the Financial Supervision Committee

- 2.1. The Financial Supervision Committee shall take decisions entrusted to the Financial Supervisory Authority by law or Governmental directives. The Committee is authorised to entrust the Deputy Governor for Financial Supervision with taking non-major decisions; cf. Article 15, Paragraph 1 of the Central Bank Act; as is provided for in Article 4 of these Rules.
- 2.2. Members of the Financial Supervision Committee are the Deputy Governor for Financial Supervision, the Deputy Governor for Financial Stability, and

three experts in financial market affairs who shall be appointed by the Minister responsible for the financial market for a term of five years.

- 2.3. The Deputy Governor for Financial Supervision shall chair the Financial Supervision Committee, and the Deputy Governor for Financial Stability shall be vice-chair. In the following instances, the Governor shall take a seat on the Financial Supervision Committee as its chair, and the Deputy Governor for Financial Supervision shall be vice-chair: when the Committee takes decisions on the adoption of rules of procedure pursuant to Article 16, Paragraph 2 of the Central Bank Act, when it takes decisions on entrusting the Deputy Governor for Financial Supervision to take non-major decisions, and when it takes decisions on systemically important financial institutions' equity, liquidity, and funding.
- 2.4. The Deputy Governor for Financial Supervision is responsible for case handling and for preparing the decisions of the Financial Supervision Committee.

Article 3

Meetings of the Financial Supervision Committee

- 3.1. In general, the Financial Supervision Committee shall meet ten times a year; cf. Article 16, Paragraph 2 of the Central Bank Act. At the end of each year, the Chair of the Committee shall prepare a calendar of tasks and meetings for the upcoming year.
- 3.2. In addition, the Financial Stability Committee may meet at the decision of the Chair or upon the request of three Committee members.
- 3.3. Meetings of the Financial Supervision Committee shall be deemed to have a quorum if four of its members are in attendance. Attendance and participation shall be deemed sufficient if Committee members participate via teleconferencing equipment. The Chair of the Committee presides over meetings and presents the meeting agenda.
- 3.4. When decisions are taken in major matters pursuant to Article 4.2 of these Rules of Procedure, a memorandum shall be made available in which the circumstances of the case, the case handling, and the premises are described, together with a draft of the decision and the relevant documents.
- 3.5. The Chair of the Committee shall designate a Central Bank of Iceland employee as Financial Supervision Committee secretary.

- 3.6. The secretary of the Financial Supervision Committee prepares the agenda for each meeting, upon prior consultation with the Deputy Governor for Financial Supervision or the Governor, in those instances when the Governor chairs the Committee; the secretary shall attend Committee meetings and write the minutes. In general, the agenda and other materials necessary for the meeting shall be sent to Committee members or made accessible to them at least five days before the meeting.
- 3.7. Other Bank employees attend meetings when explicitly requested in connection with matters under consideration at the meeting or when the Chair so decides, and the time of their arrival and departure from the meeting shall be noted in the minutes.
- 3.8. Decisions by the Financial Supervision Committee shall be taken by a simple majority of votes; in the case of a tie, the Chair shall cast the deciding vote. Voting shall take place in accordance with the Chair's decision. The Chair shall also call a vote at the request of any Committee member.
- 3.9. A record of minutes shall be maintained, containing all that transpires at meetings of the Financial Supervision Committee, and shall be signed by those in attendance. The minutes shall be stored in the Central Bank of Iceland documentation system, together with meeting materials. The minutes shall include the following information:
- the name and ID number of the Central Bank of Iceland;
 - the meeting venue;
 - the date and time (beginning and end) of the meeting;
 - the number of the meeting;
 - the names of attendees;
 - the time of additional attendees' arrival and departure from the meeting;
 - the name of the meeting chair and meeting secretary;
 - the materials distributed or presented at the meeting;
 - a summary;
 - the outcome of decisions;
 - discussions shall not be recorded unless there is particular reason to do so and attendees request it;
 - statements and comments made for the record by individual meeting attendees.
- 3.10. A draft of the minutes shall be sent to Committee members for review and approval. If members have comments to make on the draft, they shall communicate their views to the meeting secretary. After the minutes have been approved, all Committee members shall sign them.

- 3.11. The Financial Supervision Committee is authorised to make its decisions public. Decisions shall not be published, however, if such publication can be considered to jeopardise the interests of the financial market, if it does not affect the interests of the market as such, or if there is reason to believe it will cause damage to the parties involved that is disproportionate to the matter in question. Publication of decisions shall be subject to the provisions of Article 9(a) of the Act on Official Supervision of Financial Activities, no. 87/1998, and policies on transparency in the work of the Central Bank of Iceland.
- 3.12. If the Committee Chair deems it necessary due to extraordinary circumstances, s/he may call a teleconference and present matters for decision and accept votes either via teleconferencing equipment or by e-mail. If a decision cannot be postponed and there is insufficient latitude to call a meeting, it is permissible to request confirmation, by verifiable means, from a majority of Committee members without a meeting. Decisions taken in the aforementioned manner shall be confirmed at the next meeting and entered to the record of minutes.
- 3.13. The Financial Supervision Committee shall report to Parliament on its work once a year.

Article 4

Transfer of authority for non-major decisions

- 4.1. In accordance with Article 15, Paragraph 1 of the Central Bank Act, the Financial Supervision Committee shall take decisions entrusted to the Financial Supervisory Authority by law or Governmental directives. The Committee is authorised to entrust the Deputy Governor for Financial Supervision with taking non-major decisions pursuant to the cited provision of the Central Bank Act; cf. Article 2.1 of these Rules.
- 4.2. Major decisions that shall be taken by the Financial Supervision Committee are as follows:
- 4.2.1. Grant of an operating licence to a financial institution that has applied for an operating licence pursuant to Article 4, Paragraph 1, Items 1-3 of the Act on Financial Undertakings, no. 161/2002.
- 4.2.2. Rejection or revocation of an operating licence for a supervised entity; or approval of a recommendation on the grant of, rejection of an application for, or revocation of such an operating licence in those instances where licences are granted by a body other than the Financial Supervisory Authority.
- 4.2.3. Decision on whether specified activities are subject to licensing when the matter is in doubt; cf. Article 2 of Act no. 87/1998.

- 4.2.4. Dismissal of a board member or managing director of a supervised entity on the basis of Article 10, Paragraph 4 of the Act on Official Supervision of Financial Activities, no. 87/1998.
 - 4.2.5. Initiation of legal proceedings, appeal, or referral of a judicial ruling to a higher court.
 - 4.2.6. Referral to the police of violations of laws under the auspices of the Financial Supervisory Authority, provided that the violations are considered major.
 - 4.2.7. Imposition of *per diem* fines pursuant to Article 11 of Act no. 87/1998.
 - 4.2.8. Imposition of financial sanctions pursuant to Article 11, Paragraph 4 of Act no. 87/1998.
 - 4.2.9. Levy of administrative fines as authorised in special legislation.
 - 4.2.10. Decisions that supervised entities shall pay for supervision as invoiced pursuant to Article 7 of Act no. 99/1999, and approval of a price list for such supervision; cf. Paragraph 4 of the same Article.
 - 4.2.11. Decisions on issuance and publication by the Financial Supervisory Authority of administrative directives (rules) and general guidelines pertaining to a group of supervised entities, pursuant to Article 8, Paragraph 2 of the Act on Official Supervision of Financial Activities, no. 87/1998.
- 4.3. Furthermore, the Board of the Financial Supervisory Authority takes decisions on other matters not listed in Article 4.2 of these Rules of Procedure that are considered exceptionally important or that have precedent value.
 - 4.4. The Financial Supervision Committee may authorise the Deputy Governor for Financial Supervision to take decisions not considered major pursuant to Article 4.2 and those not considered to be exceptionally important or to have precedent value pursuant to Article 4.3.

Article 5

Eligibility of Committee members

- 5.1. Eligibility to serve on the Committee shall be governed by the Act on the Central Bank of Iceland, no. 92/2019, and the Administrative Procedures Act, no. 37/1993.
- 5.2. Committee members shall at all times consider their eligibility to discuss individual matters. Committee members are obliged to report circumstances that could render them ineligible and must do this as soon as such circumstances arise. Committee members who are ineligible shall not participate in

any way in handling the case in question, nor shall they have access to documents or be present during discussions or decision-making at meetings. The attendee's recusal from the matter shall be entered to the record of minutes.

- 5.3. If the Chair considers a Committee member ineligible to participate in discussions of a given matter, the Chair may demand the recusal of that member before the substance of the matter is introduced. In case of doubt, other Committee members shall take a decision on individual members' eligibility.
- 5.4. Committee members' business transactions with supervised entities are subject to the provisions of rules on such transactions.

Article 6

Confidentiality

- 6.1. Committee members, employees, and other guests at Committee meetings are obliged to observe confidentiality concerning the affairs of the Bank's customers; transactions and operations of supervised entities, related parties, or others; and the affairs of the Bank itself; as well as other matters of which they may become aware in the course of their work or that come to light at Committee meetings and which should remain secret in accordance with law or the nature of the case, unless a judge rules that the information must be disclosed in court or to law enforcement officers, or there is a legal obligation to provide the information. The same applies to experts, independent contractors, and others who work for or on behalf of the Bank. The obligation to observe confidentiality remains in effect after employment ceases.
- 6.2. Committee members, employees, or other guests at Committee meetings are prohibited from making use of confidential information that they acquire either in their work for the Bank or in Committee meetings, including for the purpose of profiting or avoiding financial loss in business transactions.
- 6.3. Committee members' treatment of insider information and insider transactions are subject to the Rules on Treatment of Inside Information and Insider Transactions, no. 1050/2012, set by the Financial Supervisory Authority on the basis of Article 132 of Act no. 108/2007; cf. Article 130, Paragraph 2 of the same Act.

Article 7

Signing, amendments, entry into effect, etc.

- 7.1. Decisions on the adoption of these Rules of Procedure shall be taken at a meeting of the Financial Supervision Committee and signed by Committee members upon approval.
- 7.2. Decisions on amendments to the Financial Supervision Committee Rules of Procedure shall be taken at a meeting of the Committee, and members shall sign the original of the Rules thus amended. Any Committee member may submit to the Committee a written proposal for an amendment and request that it be added to the agenda of the Financial Supervision Committee's next meeting.
- 7.3. These Rules of Procedure have been adopted by the Financial Supervision Committee, cf. Article 16, Paragraph 2 of the Central Bank Act, and have been endorsed by the Supervisory Board of the Central Bank of Iceland, cf. Article 8, Paragraph 1, Item (c) of the same Act. The Rules of Procedure shall enter into effect immediately.
- 7.4. The Financial Supervision Committee Rules of Procedure shall be published on the website of the Central Bank of Iceland.

Approved

at a meeting of the Financial Supervision Committee
on 3 January 2020

with an amendment made
at a meeting of the Financial Supervision Committee
on 23 January 2020