



Financial Stability 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 Stability Committee Rules of Procedure are adopted with reference to Article 14, Paragraph 2 of the Central Bank Act.
- 1.3. These Rules contain provisions on key aspects of the role of the Financial Stability Committee, including its meetings; eligibility of Committee members; the preparation, rationale, and communication of its decisions; etc.

Article 2

Role, structure, and tasks of the Financial Stability Committee

- 2.1. Financial stability means that the financial system is equipped to withstand shocks to the economy and financial markets, to mediate credit and payments, and to redistribute risks appropriately.
- 2.2. Decisions on the application of the Central Bank's financial stability policy instruments, cf. Article 3 of the Central Bank Act, are taken by the Financial Stability Committee.
- 2.3. Decisions taken by the Financial Stability Committee must be based on a thorough assessment of the current situation and outlook for the financial system. In the Committee's work, the Central Bank may cooperate with other Governmental authorities as appropriate, including the Ministry entrusted with matters relating to financial stability.
- 2.4. The Financial Stability Committee shall comprise the Governor, the Deputy Governor for Monetary Policy, the Deputy Governor for Financial Stability, the Deputy Governor for Financial Supervision, and three experts in financial market affairs or economics who shall be appointed by the Minister responsible for financial stability for a term of five years. The Permanent Secretary or an appointed official from the Ministry responsible for financial stability shall also participate in Committee meetings as a non-voting member with the right to address the meeting and present proposals. The Director of the Central Bank's Financial Stability Department shall attend meetings of the Committee and shall have the right to address the meeting.

- 2.5. The Governor shall chair the Financial Stability Committee, and the Deputy Governor for Financial Stability shall be vice-chairperson. The Deputy Governor for Financial Stability is responsible for case handling and for preparing the decisions of the Financial Stability Committee.
- 2.6. According to Article 13 of the Act, the tasks of the Financial Stability Committee are, first of all, to assess the current situation and outlook for the financial system, systemic risk, and financial stability; second, to discuss and define the actions deemed necessary at any given time in order to affect the financial system with the aim of strengthening and preserving financial stability, and to make comments to the appropriate authorities when warranted; third, to approve Governmental directives and take the decisions entrusted to the Committee by law; fourth, to decide which supervised entities, infrastructure, and markets shall be considered systemically important and of such a nature that their activities could affect financial stability.
- 2.7. With reference to Article 4, Paragraph 1 of the Act Recovery and Resolution of Credit Institutions and Investment Firms, no. 70/2020, cf. also Article 13, Item (b) of the Central Bank Act, the Financial Stability Committee takes the following decisions entrusted to resolution authorities pursuant to Act no. 70/2020:
 1. Decisions on which parties must prepare simple recovery plans; cf. Article 11 of Act no. 70/2020.
 2. Final approval of credit institutions' and investment firms' recovery plans, both on a unit basis and on a consolidated basis; cf. Articles 9 and 10 of Act no. 70/2020.
 3. Assessment of credit institutions' and investment firms' resolvability, both on a unit basis and on a consolidated basis; cf. Articles 13 and 14 of Act no. 70/2020.
 4. Decisions concerning limitations on resolvability; cf. Article 15 of Act no. 70/2020.
 5. Final decisions on minimum requirements for own funds and eligible liabilities; cf. Article 17 of Act no. 70/2020.
 6. Substantive discussion and recommendations concerning public issuance of administrative directives (rules) on the basis of the Act, with the exception of rules pursuant to Article 4, Paragraph 4 and Rules of Procedure pursuant to Article 8, Paragraph 4 of Act no. 70/2020.

Decisions pursuant to Items 2-5 shall be taken by the Financial Stability Committee upon receipt of an opinion by the Financial Supervision Committee. Decisions pursuant to Items 2, 3, and 5 that could directly affect the Treasury or could have system-wide impact, cf. Article 5 of Act no. 70/2020, shall not be taken without prior Ministerial approval.

Article 3

Meetings of the Financial Stability Committee

- 3.1. The Financial Stability Committee shall meet at least four times a year; cf. Article 14, Paragraph 2 of the Central Bank Act. At the end of each year, the chairperson of the Committee shall prepare a calendar of tasks and meetings for the upcoming year. Prior to each meeting, Committee members shall have access to all available data that they need in order to take an informed decision.
- 3.2. The chairperson of the Financial Stability Committee may call extraordinary meetings at his/her discretion. The chairperson shall also call extraordinary meetings if three Committee members request it.
- 3.3. Meetings of the Financial Stability Committee shall be deemed to have a quorum if five of its seven members are in attendance. Attendance and participation shall be deemed sufficient if Committee

- members participate via teleconferencing equipment. The chairperson of the Committee presides over meetings and presents the meeting agenda.
- 3.4. Prior to each called meeting, Committee members shall be sent data and information on developments and prospects for the financial system, systemic risk, and financial stability; data and information on economic developments and prospects; and other information that could prove useful during the Committee's discussions and decision-making process.
 - 3.5. The chairperson of the Committee shall designate a Central Bank of Iceland employee to act as Committee secretary.
 - 3.6. The secretary of the Financial Stability Committee shall prepare the agenda for each meeting, upon consultation with the Governor, Deputy Governor for Financial Stability, and Director of the Bank's Financial Stability Department, and shall attend the meetings and write the minutes. The General Secretariat shall be consulted on the preparation of Committee meetings. In general, the agenda of Financial Stability Committee meetings shall be structured so that a review of the analysis presented at the meeting is the first item on the agenda. Discussions of developments and prospects shall fall under the second agenda item. Responses and decisions, when applicable, shall fall under the third agenda item.
 - 3.7. 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.
 - 3.8. Other Bank employees shall attend meetings when explicitly requested in connection with matters under consideration at the meeting or when the chairperson so decides.
 - 3.9. A majority of Committee members may request that they be sent additional presentations on specified topics from Central Bank staff. Furthermore, a majority of Committee members may request presentations on specified topics from outside experts if they are of the view that this will help the Committee to take an informed decision.
 - 3.10. The Committee shall seek to conclude its affairs by consensus. Decisions by the Financial Stability Committee shall be taken by a simple majority of votes; in the case of a tie, the chairperson shall cast the deciding vote. Voting shall take place in accordance with the chairperson's decision. The chairperson shall also call a vote at the request of any Committee member.
 - 3.11. A record of minutes shall be maintained, containing all that transpires at meetings of the Financial Stability 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 date and time of the meeting;
 - the number of the meeting;
 - the names of Committee members in attendance;
 - the name of the meeting secretary;
 - the materials distributed or presented at the meeting;
 - a summary of the current situation and the outlook for financial stability;
 - a description of the main viewpoints expressed at the meeting and a clearly reported outcome of decisions, including the grounds on which individual decisions are based;
 - and
 - statements and comments made for the record by individual meeting attendees.
 - 3.12. A draft of the minutes shall be sent to Committee members for review and approval as soon as possible. If members have comments to make on the draft, they shall communicate their views to

the meeting secretary. Comments on the draft shall have been received no later than two business days prior to publication. In general, the minutes are finally approved and signed by Committee members. Valid electronic signatures constitute the equivalent of handwritten signatures. The minutes of each meeting of the Financial Stability Committee shall be published within one month of the meeting concerned and shall contain an explanation of the Committee's decisions and the rationale for them, as well as an assessment of developments and prospects. Before the minutes of Financial Stability Committee meetings are published, all information that could have a detrimental impact on financial stability shall be redacted.

- 3.13. If the Committee chairperson 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, in a verifiable manner, that Committee members take a position on a proposed decision without a meeting, and in such circumstances, the provisions of Article 3.3 shall apply to quorum requirements. Decisions taken in the aforementioned manner shall be confirmed at the next meeting and entered to the record of minutes.

Article 4

Statements, press releases, comments by Committee members, etc.

- 4.1. The Financial Stability Committee shall issue a statement announcing its decisions on the application of policy instruments by publishing a press release outside the regular operating hours of the Icelandic financial markets, no later than one week after the Committee meeting concerned.
- 4.2. This statement shall include an assessment of developments and prospects for the financial system, systemic risk, and financial stability.
- 4.3. The Committee's decisions shall be accompanied by an analysis of the systemic risk that the measure is designed to mitigate, together with a reasoned explanation of how the measure is intended to mitigate that risk.
- 4.4. The Director of the Financial Stability Department shall prepare a draft of the statement and decision(s) on the application of policy instruments. The Committee then works jointly on the final statement, with the objective of reaching a consensus on the message and its wording.
- 4.5. Members of the Financial Stability Committee are free to express their opinions on developments and prospects for the financial system, but they are expected to avoid discussing the views of other Committee members, and to state explicitly that the views they express are their own and do not necessarily reflect the views of other members, the Financial Stability Committee, or the Central Bank of Iceland.
- 4.6. The Financial Stability Committee shall report to Parliament on its work once a year.

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. If there is any doubt about a Committee member's eligibility, the Financial Stability Committee shall take a decision on whether that member shall recuse him-/herself.

- 5.3. 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 minutes shall include an entry stating that the member in question has recused him-/herself from the meeting and has not been granted access to the documents in question.
- 5.4. If no members have drawn attention to their potential ineligibility to take decisions on individual matters to be discussed at a meeting of the Committee, the chairperson shall so state at the beginning of the meeting and have the statement recorded in the minutes.
- 5.5. Committee members' business transactions with supervised entities are subject to the provisions of rules on such transactions, currently Rules no. 303/2020 of 23 March 2020.

Article 6

Confidentiality

- 1.1. 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.
- 1.2. 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. Members shall observe caution in making statements outside meetings on individual parties about whom they have acquired information at Committee meetings.
- 1.3. 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 Stability Committee and signed by Committee members upon approval.
- 7.2. Decisions on amendments to the Financial Stability Committee Rules of Procedure shall be taken at a meeting of the Committee. 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 Stability Committee's next meeting.

- 7.3. These Rules of Procedure were adopted by the Financial Stability Committee, cf. Article 14, Paragraph 2 of the Central Bank Act, and endorsed by the Supervisory Board of the Central Bank of Iceland at a Supervisory Board meeting on 23 September 2020; cf. Article 8, Paragraph 1, Item (c) of the same Act. These Rules of Procedure shall take effect upon signing by the Financial Stability Committee on 8 October 2020, and the Financial Stability Committee Rules of Procedure of 16 March 2020 shall expire at that time.
- 7.4. The Financial Stability Committee Rules of Procedure shall be published on the website of the Central Bank of Iceland.