



RULES OF PROCEDURE FOR THE MONETARY POLICY COMMITTEE

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. The Monetary Policy Committee Rules of Procedure are adopted with reference to Article 11, Paragraph 2 of the Central Bank Act.
- 1.2. These Rules contain provisions on key aspects of the role and work of the Monetary Policy Committee, including its meetings; preparation, rationale, and communication of its decisions; eligibility of Committee members; etc.

Article 2 Role, structure, and tasks of the Monetary Policy Committee

- 2.1. Decisions on the application of the Central Bank's monetary policy instruments, cf. Article 10 of the Central Bank Act, are taken by the Monetary Policy Committee.
- 2.2. Decisions by the Monetary Policy Committee must be based on the Bank's price stability objective and a thorough assessment of economic and monetary developments and prospects; cf. Article 9, Paragraph 1 of the Central Bank Act and the joint declaration on an inflation target and a change in the exchange rate policy, made by the Government and the Central Bank on 27 March 2001.
- 2.3. Members of the Monetary Policy Committee are the Governor, the Deputy Governor for Monetary Policy, the Deputy Governor for Financial Stability, and two outside experts in the fields of economics and monetary policy who are appointed by the Minister for a term of five years. The Chief Economist attends meetings of the Committee and has the right to address the meeting.
- 2.4. The Governor shall chair the Monetary Policy Committee, and the Deputy Governor for Monetary Policy shall be vice-chair. The Deputy Governor for Monetary Policy is responsible for preparing the Committee's meetings.

- 2.5. The Monetary Policy Committee takes decisions on Central Bank interest rates pursuant to Article 22 of the Central Bank Act, in order to enforce the Bank's monetary policy. The Committee shall also take decisions on the Bank's transactions with credit undertakings other than those specified in Article 19, Paragraph 2 of the Act. Furthermore, the Committee takes decisions on minimum reserve requirements pursuant to Article 23 of the Act, foreign exchange market transactions pursuant to Article 27 of the Act, and securities transactions pursuant to Article 20 of the Act that are undertaken with the aim of achieving the Bank's price stability objective. The Monetary Policy Committee may also propose to the Governor that the special reserve requirement be applied.

Article 3

Meetings of the Monetary Policy Committee

- 3.1. The Monetary Policy Committee shall meet at least six times each year; cf. Article 11, 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. 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 Chair of the Monetary Policy Committee may call extraordinary meetings. The Chair shall also call an extraordinary meeting if at least three Committee members request it.
- 3.3. Meetings of the Monetary Policy Committee shall be deemed to have a quorum if four of its five members are in attendance. Attendance and participation shall be deemed sufficient if members participate via teleconferencing equipment. The Chair of the Committee presides over meetings and presents the meeting agenda.
- 3.4. Prior to each called meeting, Committee members shall be sent documents and data on developments in the financial markets, the position of the financial system, the position of the economy, and indicators and forecasts of the economic outlook, as well as other information that could prove useful during the decision-making process.
- 3.5. The Chair of the Monetary Policy Committee shall designate a Central Bank employee as Committee secretary, upon prior consultation with the Committee.
- 3.6. The secretary of the Monetary Policy Committee shall prepare the agenda for each meeting upon prior consultation with the Governor and the Deputy Governor for Monetary Policy, attend Committee meetings, and write the minutes. The General Secretariat shall be consulted on the preparation of Committee meetings. In general, the meeting agenda and other necessary meeting materials shall be sent to Committee members or be made available to them no later than on Friday of the week prior to regular Committee meetings.
- 3.7. Bank employees other than those specified shall attend meetings when explicitly requested or when the Chair so decides.
- 3.8. In general, the agenda of regular Monetary Policy Committee meetings shall be as follows:
- 3.8.1. Discussions shall be held of recent developments and events that could affect the assessment of economic and monetary developments and prospects and could affect the Committee's decisions. In addition, presentations are given on developments in financial markets, the

Central Bank's market activities, economic developments, indicators of the economic outlook, and events of key importance in relation to economic stability. A special presentation of *Monetary Bulletin* shall be held at meetings that coincide with the report's publication. Presentations of topics of particular relevance to the Committee's role may also be included if added to the agenda by the Chair or requested by a majority of Committee members.

- 3.8.2. The Chief Economist of the Central Bank summarises the highlights from the presentations. Discussions are held on monetary policy, and decisions are taken on the application of the Bank's policy instruments and/or changes in the application of the Bank's policy instruments.
 - 3.8.3. Following a discussion where Committee members explain their position, the Governor proposes a decision to the Committee. A vote is then taken on the proposal. Even if a consensus is reached on the decision, Committee members may also request that an entry be made to the minutes, stating that they would have preferred a different decision but consider the difference so small that they can accede to the Governor's proposal.
 - 3.8.4. The statement of the Monetary Policy Committee is discussed and approved. The Committee works together on the statement, with the aim of reaching a consensus on the wording and messaging therein.
- 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. Decisions by the Monetary Policy Committee shall be taken by a simple majority vote; 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.
- 3.11. A record of minutes shall be maintained and shall contain a description of all that transpires at Committee meetings. 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 of the meeting;
 - The number of the meeting;
 - The names of Committee members in attendance;
 - The name of the meeting secretary;
 - A summary of the analysis of economic developments and prospects;
 - A description of key points of view expressed by members at the meeting and, if applicable, the range in which members considered it appropriate to keep interest rates;
 - The Governor's proposal on interest rates and other Committee members' reactions to it;
 - The outcome of decisions; and
 - The votes of individual Committee members.
- 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. The minutes of each Monetary Policy Committee meeting shall be made public, in both Icelandic and English, two weeks after each meeting, and they shall explain the Committee's decisions and the premises underlying them. The Monetary Policy Committee may decide not to give an account of decisions on foreign exchange market transactions according to Article 27 of the Central Bank Act, however.

3.13. 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.

Article 4

Press releases, press conferences, statements by Committee members, etc.

- 4.1. Decisions by the Monetary Policy Committee shall be announced with a press release issued before the opening of the Icelandic financial markets and explained at a public press conference open to members of the media and representatives of financial institutions. The Committee's statement shall be completed in a timely enough manner to allow it to be translated into English.
- 4.2. Members of the Monetary Policy Committee are free to express their opinions on the economic outlook and monetary policy, 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 Committee, or the Central Bank of Iceland. Members of the Monetary Policy Committee shall inform other Committee members if they take interviews with the media concerning monetary policy and/or monetary policy conduct. They shall so inform the General Secretariat as well. Members shall not discuss the economic outlook and monetary policy in public in the seven days immediately preceding an interest rate decision, nor shall they discuss these matters at closed meetings with investors or others who could benefit from information on Committee members' views. Members shall also avoid making public statements on the day the announcement is published.
- 4.3. As is provided for in Article 11, Paragraph 3 of the Central Bank Act, the Monetary Policy Committee shall report to Parliament on its work twice each year. In accordance with a decision of the Committee, external members shall send a report separately to Parliament in their own names 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. In particular, they should observe caution in making statements on individual parties about whom they have acquired information at Committee meetings. 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 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.

- 5.3. 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.

Article 7

Signing, amendments, entry into effect, etc.

- 7.1. These Rules of Procedure shall be approved at a meeting of the Monetary Policy Committee and signed by Committee members. Valid electronic signatures constitute the equivalent of handwritten signatures.
- 7.2. Decisions on amendments to the Monetary Policy Committee Rules of Procedure shall be taken at Committee meetings. 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 Monetary Policy Committee's next meeting.
- 7.3. These Rules of Procedure have been adopted by the Monetary Policy Committee, cf. Article 11, Paragraph 2 of the Central Bank Act, and were endorsed by the Supervisory Board of the Central Bank of Iceland at a meeting of the Supervisory Board on 25 November 2020; cf. Article 8, Paragraph 1, Item (c) of the same Act. These Rules of Procedure shall take effect upon signing by the Monetary Policy Committee on 2 December 2020, and the Monetary Policy Committee Rules of Procedure of 17 March 2020 shall expire at that time.

7.4. The Monetary Policy Committee Rules of Procedure shall be published on the website of the Central Bank of Iceland.