

RULES

on Securities and Currency Trading by Central Bank of Iceland Employees

Article 1

Purpose

The purpose of the Rules is to ensure that securities and currency trading undertaken by Central Bank of Iceland employees is in accordance with the laws and rules applying to the securities market and the provisions of Article 35, Paragraph 1 and 2 of the Act on the Central Bank of Iceland, no. 36/2001.

Article 2

Scope

The Rules apply to the Governor, Deputy Governor, and all other Central Bank of Iceland employees and experts appointed to the Monetary Policy Committee by the Minister, hereinafter referred to collectively as *employees*.

The Rules apply to all employee transactions with currencies and financial instruments as defined in the Act on Securities Transactions, no. 108/2007 and to disclosure requirements relating to such transactions. The Rules apply to employee transactions with financial instruments that have been listed, or for which listing has been sought, on a registered securities market. They shall also be applied where appropriate to transactions with unlisted financial instruments and confidential information about such instruments or their issuers.

The term *confidential information* refers to insider information in the sense of the Act on Securities Transactions, no. 108/2007, and information falling under Article 35 of the Act on the Central Bank of Iceland, no. 36/2001, of which employees may become aware in any manner and what may involve the affairs of the Central Bank and its customers. Confidential information also includes other information of which employees become aware in their work, which should remain secret by law or the nature of the case — such as statistical information on legal entities and individuals and information on the Treasury of Iceland, the application of the Bank's monetary policy instruments, or currency exchange rates — and which has not been made public.

Article 3

Supervision of implementation of the Rules

The General Counsel of the Central Bank oversees implementation of the Rules and functions as the Compliance Officer.

The Compliance Officer shall keep a record of employees' securities and currency holdings, cf. Article 7, Paragraph 1, and notified transactions, stating which financial instruments and currency transactions are involved, the nominal amount and exchange rate or price, and the time at which the transaction was supposed to take place.

The Compliance Officer shall ensure that employees are acquainted with the Rules in a satisfactory manner at least once a year. The Compliance Officer shall give account of the implementation of the Rules to the Governor at least once a year.

Article 4

Treatment of insider information and confidential information

Employees who intend to engage in trading in financial instruments or currency are subject to an investigation requirement; i.e., a separate requirement that they ensure that they are not in possession of insider information or other confidential information on the financial instrument and its issuer or the exchange rate of the currency.

Employees who possess or have access to confidential information are prohibited from using it, directly or indirectly, in acquiring or disposing of financial instruments. This means that employees are prohibited from buying, selling, or inciting others to buy or sell financial instruments or currencies, either for their own account or for a third party, if they possess confidential information; cf. Article 2, Paragraph 3.

Article 5

Trading in financial instruments.

Employees are prohibited from conducting transactions with equities, bonds, and financial instruments related to these, which are issued by parties falling under Article 6 and 7 of the Act on the Central Bank of Iceland, no. 36/2001, including commercial banks, savings banks, branches of foreign deposit institutions, other institutions and companies authorised by law to accept deposits from the general public for safekeeping and earning of interest, and other credit institutions and companies in securities operations.

Employees are authorised to conduct transactions with unit shares in funds pursuant to the Act on Mutual Funds, Investment Funds, and Institutional Investment Funds, no. 128/2011; cf., however, Article 4, Paragraph 2.

Employees are authorised to sell financial instruments, cf. Paragraph 1, that they acquired before they began working for the Central Bank. The same applies to financial instruments that the employee receives as inheritance or via separation or divorce.

Employees must inform the Compliance Officer of planned transactions with financial instruments. The Compliance Officer shall be given suitable time and opportunity to investigate whether confidential information exists which could subsequently call the legitimacy of the transaction into question. If this turns out to be the case, the Compliance Officer shall query the proposed transaction and suggest to the relevant person that it be postponed. When the transaction has taken place, it shall be reported to the Compliance Officer. If the Compliance Officer or his/her deputy intends to trade in financial instruments or currency, they shall notify the Governor in advance of the transaction, and the Governor shall take a position on it. The Compliance Officer shall report the transactions to the Governor when it has taken place.

In general, employees shall own securities that they have purchased for a minimum of three (3) months if the market value does not fall below the original purchase price.

Employees are prohibited from participating in investment companies or other comparable partnerships whose purpose is the participants' collective investment in securities.

Article 6

Currency trading

These Rules apply to currency transactions by employees where appropriate, although not to their purchases of currency in payment for foreign real estate for their own personal use, goods

or services, or on account of foreign travel or the sale of currency in connection with it, or on account of payment of liabilities in foreign currencies.

Employees shall notify the Compliance Officer in advance of currency transactions involving amounts exceeding 3,000,000 kr.

Article 7

Employees' disclosure requirements

The Governor, Deputy Governor, experts appointed to the Monetary Policy Committee by the Minister, departmental directors, and deputy directors shall notify the Compliance Officer in writing of all securities holdings owned by them, their spouse, and their children, step-children, and foster children who are not financially competent. The same applies to foreign-denominated holdings in excess of 5,000,000 kr. In the same manner, employees who possess confidential information about the foreign exchange market, who attend Monetary Policy Committee meetings on a regular basis, who participate in the preparation of decisions on the application of the Bank's monetary policy instruments, cf. Article 25 of the Act on the Central Bank of Iceland, no. 36/2001, or who possess confidential information pertaining to the affairs of financial institutions falling under Articles 6 and 7 of Act no. 36/2001 shall notify the Compliance Officer in writing of their securities and currency holdings. Directors of the departments of the employees concerned shall decide which employees fall under this disclosure requirement and shall so notify the Compliance Officer.

The same employees as are mentioned in Paragraph 1 shall inform the Compliance Officer if their spouse or registered domestic partner works for a party falling under Articles 6 and 7 of Act no. 36/2001.

The Governor, Deputy Governor, departmental directors, deputy directors, and employees who possess confidential information pertaining to the affairs of financial institutions, cf. Paragraph 1, shall notify the Compliance Officer in writing of the following obligations and investments of savings with parties falling under Articles 6 and 7 of the Act on the Central Bank of Iceland, no. 36/2001.

1. Unsecured liabilities exceeding 10,000,000 kr., and secured liabilities exceeding 50,000,000 kr., together with the duration of the liabilities.
2. Financial difficulties relating to all obligations. *Financial difficulties* refers to collections of arrears and/or legal collections, or other difficulties indicating that the employee depends on special concessions from the party concerned.
3. Asset management agreements, irrespective of the amount.

Changes in items falling under Paragraph 3, Items 1 and 3 shall be reported no later than one week after the transactions took place or the contracts were made. Information according to Paragraph 3, Item 2 shall be provided when the employee becomes aware of the situation. Employees shall provide the information according to Paragraphs 1 and 3 for the first time upon being hired and shall then confirm it annually if no changes have taken place.

Employees specified in Paragraph 3 shall provide the Compliance Officer any information known to them concerning comparable incidents or situations pertaining to their spouse or domestic partner and their children who are not financially competent, if such information could justifiably be considered to call their impartiality into question. Under such circumstances, the amount specified in Paragraph 3 shall be considered to apply to the collective holdings of married or cohabiting couples and their children who are not financially competent.

This is a translation of the authoritative Icelandic text. In the event of any discrepancies between the translation and the original Icelandic text, the original text shall prevail.

In a corresponding manner, the Compliance Officer and his/her deputy shall report to the Governor on their transactions and any incidents or situations according to Paragraphs 1, 2, 3, 4, and 5.

Article 8

Statement

Employees shall sign a statement declaring that they have acquainted themselves with the contents of these Rules and with other statutory and regulatory provisions pertaining to the obligation to observe confidentiality in their work.

Article 9

Liability and sanctions

Employees are solely responsible for compliance with these Rules in their transactions with securities and currency.

Employees shall not enter into transactions that could justifiably give cause for suspicion as regards the treatment and use of information to which they have access in their work or that could compromise the credibility of the Central Bank. Employees are also required to attempt to ensure that transactions undertaken by their spouse, domestic partner, children who are not financially competent, and other parties financially connected to them do not give rise to questions concerning the credibility of the transactions.

Violations of these Rules shall be reported to the Compliance Officer or the Governor.

Violations of these Rules may be punishable by reprimand or termination of employment.

Article 10

Entry into force, etc.

These Rules, which are set on the basis of Article 38 of the Act on the Central Bank of Iceland, no. 36/2001, shall enter into force on 1 June 2018. At that time, the Central Bank of Iceland Rules on Treatment of Confidential Information and on Securities and Currency Trading by Employees, no. 831 of 28 November 2002, shall expire.

Temporary provision

Within fifteen (15) business days of the entry into force of the Rules, and with reference to Article 3, Paragraph 2, the employees specified in Article 7 shall notify the Compliance Officer of those holdings, obligations, and other items specified in Article 7 that are subject to the reporting requirement.

Reykjavík, 15 May 2018

Central Bank of Iceland

Már Guðmundsson
Governor

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General Counsel