

## RULES

### on foreign exchange

#### Article 1

##### *Investment and transactions*

Investing in securities, unit share certificates in UCITS and investment funds, money market instruments, or other transferable financial instruments denominated in foreign currency is prohibited. However, parties that have invested in such financial instruments prior to the entry into force of these Rules are permitted to reinvest.

Sales proceeds in Icelandic krónur from transactions in financial instruments, according to Paragraph 1, that take place between domestic and foreign parties and are settled in Iceland must be deposited to the seller's account with a financial undertaking in Iceland.

It is prohibited to settle transactions with króna-denominated instruments according to Paragraph 1 in foreign currency.

Foreign exchange transactions related to cross-border movement of capital according to Paragraph 1 of the Temporary Provisions of the Foreign Exchange Act, with subsequent amendments, by means of withdrawals from króna-denominated bank accounts at domestic financial undertakings or the Central Bank of Iceland are prohibited.

It is prohibited to carry out movement of capital according to Paragraph 1 of the Temporary Provision of the Foreign Exchange Act, with subsequent amendments, in order to transfer or convey capital out of the country in connection with the sale of direct investments.

#### Article 2

##### *Issuance and sale of financial instruments*

It is prohibited to issue and sell securities, unit share certificates in UCITS and investment funds, money market instruments, or other transferable financial instruments where settlement takes place in a currency other than the currency of issue if the Icelandic króna is one of the settlement currencies. If the issue is denominated in Icelandic krónur, the proceeds from the sale must be deposited to a króna-denominated account, in the issuer's name, in a financial undertaking in Iceland.

#### Article 3

##### *Borrowing and lending*

Borrowing and lending between domestic and foreign parties for purposes other than cross-border transactions with goods and services shall meet the following requirements:

1. Each party's loan shall not exceed 10,000,000 kr., or the equivalent of that amount in foreign currency, per calendar year.
2. The loan period shall be at least one year.
3. Capital transfers for the loan shall be in accordance with the provisions of Article 8 of these Rules.
4. Loan agreements, including all appendices and accompanying documents, shall be sent to the financial undertaking that carries out the movement of capital within one week of signing.

The provisions of this Article do not apply to borrowing and lending between undertakings within a group.

Article 4  
*Guarantees*

It is prohibited to act as a guarantor or assume liability for payments between domestic and foreign parties.

The provisions of this Article do not apply to guarantees related to the trade of goods and services, nor do they apply to guarantees between undertakings within a group.

Article 5

*Trading in derivatives*

It is prohibited to transact derivatives contracts involving the Icelandic króna against a foreign currency, whether these are contracts involving foreign currencies, securities, or a combination of foreign currencies and securities, or other comparable financial instruments.

Derivatives transactions related solely to trading in goods and services do not fall under this provision.

Article 6

*Miscellaneous movement of capital*

Movement of capital for gifts, subsidies, or other purposes, in amounts exceeding 10,000,000 kr. per calendar year is prohibited, cf. Paragraph 1, Item 6 of the Temporary Provisions of the Foreign Exchange Act, with subsequent amendments.

Article 7

*Interest, indexation, dividends, capital gains, and instalment payments*

Interest, indexation, dividends, capital gains, and contractual instalment payments are not considered movement of capital in the sense of these Rules. Salaries are not considered movement of capital in the sense of these Rules. Cross-border prepayment of financial instruments is prohibited, however.

Article 8

*Obligation to submit foreign currency*

All foreign currency acquired by domestic parties, either for goods and services sold or acquired in another manner, shall be submitted to a domestic financial undertaking within two weeks from the time the foreign currency was acquired or could have been acquired by the owner or his agent. If the party in question cannot submit the foreign currency within the above-specified time limit, he or she must explain the reason to a financial undertaking. The obligation to submit foreign currency according to the first sentence of this Article can be fulfilled by depositing foreign currency to a foreign currency account with a financial undertaking in Iceland.

The obligation to submit foreign currency does not apply to domestic parties that have a residence abroad for purposes of work or study.

Article 9

*Withdrawals from foreign currency accounts*

Withdrawals from foreign currency accounts in Iceland or purchases of foreign currency from financial undertakings in Iceland are subject to the requirement that the party in question demonstrates that the funds will be used in accordance with these Rules. It is prohibited to withdraw foreign currency in cash from foreign currency accounts without demonstrating that the funds will be used to pay for goods or services, including travel.

Article 10

*Importation and exportation of foreign currency*

The exportation of foreign currency in cash in amounts exceeding the equivalent of 500,000 kr. per individual party, per calendar month, is prohibited.

Article 11

*Guidelines and applications for exemptions*

The Central Bank may set further guidelines concerning the implementation of these Rules. Applications for exemptions according to these Rules shall be submitted to the Central Bank of Iceland through the intermediation of a financial undertaking.

Article 12

*Penalties*

Violations of the provisions of these Rules are subject to administrative fines and penalties in accordance with Articles 15(a) – 15(d), Article 16, Article 16(a) and Article 16(b) of the foreign Exchange Act, with subsequent amendments.

Article 13

*Exemption for the Central Bank of Iceland*

The provisions of these Rules do neither apply to movement of capital nor foreign exchange transactions undertaken by the Central Bank of Iceland.

Article 14

*Entry into force, etc.*

These Rules are set in accordance with a Temporary Provision of the Foreign Exchange Act, with subsequent amendments, and shall enter into force at once. These rules shall be revised no later than March 1, 2009. Without prejudice to the provisions of Article 8, Paragraph 2 of the Act on the Law and Ministerial Gazette and the Official Gazette, these Rules shall be binding upon all parties immediately upon publication.