

## RULES

### **Central Bank of Iceland Rules on treatment of confidential information and on securities and currency trading by employees**

These Rules are set under the provisions of Article 37 of Act No. 13/1996 on Securities Transactions. They cover *inter alia* the treatment of confidential information as defined in Article 2 of the same Act.

#### Article 1

##### *Purpose*

The purpose of these rules is to ensure that the treatment of confidential information in the Central Bank of Iceland is in accordance with the law and rules in force in securities markets and the provisions of Article 35, paragraphs 1 and 2 of Act 36/2001 on the Central Bank of Iceland. The Rules are intended to enhance the credibility of own securities and currency transactions undertaken the Bank's employees.

#### Article 2

##### *Definitions*

##### *Confidential information:*

Information regarding the issuer of securities, the securities themselves or other matters which have not been made public but is likely to affect the market price of the securities were they to be made public. Information is regarded as public when it has been disseminated in the securities market by open and recognised means. Notifications to stock exchanges and regulated markets are considered to be public on their presentation there, cf. the Act on the Activities of Stock Exchanges and Regulated OTC markets.

##### *Securities:*

- a. Any transferable claim for payment in cash or cash equivalents, and any transferable document conveying title to property other than real estate or particular chattels.
- b. A conditional document entitling payment of cash on the basis of a specified security or securities, as defined under subparagraph a. Derivatives are regarded as securities in accordance with this subparagraph.

#### Article 3

##### *Scope*

By law, these Rules apply to transactions by Central Bank of Iceland employees with securities which have been listed, or for which a listing has been requested, on an organised stock exchange. However, they shall also be applied where appropriate to transactions with unlisted securities and confidential information about such securities or their issuer. These Rules also apply to currency transactions by Central Bank employees where appropriate, although not to their purchases of currency in payment for 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.

These Rules extend to employees of the Central Bank, Governors of the Bank and members of its Supervisory Board, named “employees” in these Rules. They also apply to the Central Bank itself where appropriate.

#### Article 4

##### *Confidential information*

Examples of confidential information which may be at hand in the Central Bank include the following:

- a. Knowledge of interest rate changes,
- b. Knowledge of changes in the exchange rates of currencies,
- c. Knowledge of the affairs of individual financial institutions,
- d. Knowledge of economic measures by the Government,
- e. Statistical data on private individuals or legal entities.

Employees of the Central Bank in possession of or having access to confidential information may not:

- a. Take advantage of such confidential information, directly or indirectly, in order to acquire or dispose of securities or currency,
- b. Provide such confidential information to a third party unless this is done in the normal context with the work, position or duties of the supplier of this information, and recipients shall be reminded of their obligation to secrecy,
- c. Advise a third party, on the basis of such confidential information, to acquire or dispose of securities or encourage transactions with such securities in other respects.

#### Article 5

##### *Employees' transactions with securities and currencies for their own account*

As stated above, Central Bank employees may not trade on behalf of themselves or others or encourage trading in securities and currency if they are in possession of or have access to confidential information which is likely to influence their market price.

This prohibition means that Central Bank employees may not buy, sell or encourage the purchase or sale of securities or currency, neither for their own account or that of a third party (e.g. family or friends), when the relevant employees are in possession of confidential information.

This prohibition applies regardless of whether transactions with the securities or currency are conducted in the Bank itself or outside it.

Employees are responsible for compliance with these Rules in their transactions with securities and currency. They are also obliged to make efforts to ensure that the credibility of transactions by other members of their families (spouse, children under the age of financial independence, stepchildren and foster-children) shall not be called into question.

Before a transaction is made, and regardless of whether it involves securities or currency, the employee shall ascertain that he does not have access to confidential information.

Before a member of the Supervisory Board conducts a transaction with securities he shall ascertain that he is not in possession of nor has access to confidential information under the provisions of these Rules.

## Article 6

*Supervision of confidential information within departments and units of the Bank*

Senior officials of the Central Bank of Iceland are responsible for preventing confidential information received by their departments or units from reaching unauthorised parties. They shall take particular care in storage of documents, delivery of data, photocopying of such data and documents, and computer entry and storage of data.

The same parties shall regulate, within their respective departments and units, which of the employees answering to them shall have access to confidential information and how they communicate such information between departments and units.

The same parties shall also decide on how to handle a case where an employee is doubtful as to whether or not confidential information is involved, and whether such information may be provided to a third party, including other departments and units of the Bank or other employees.

Confidential information shall not in general be taken outside the Central Bank, and then only if this is necessary on account of work or business for the Bank. In such cases the utmost care shall be taken in handling of documents, either on paper or in digital format, such as on mobile computers.

Particular care shall be taken when confidential information needs to be sent from the Central Bank. Confidential information shall not be sent by e-mail unless special security measures are taken. It shall be ascertained that confidential information is sent only to the correct recipient.

In the case of sensitive information, efforts shall be made to restrict access to it to the employees who are engaged on the task.

Information that may be destroyed and contains confidential material shall be disposed of by secure means.

In other respects, reference is made to the Central Bank's security policy.

## Article 7

*Transactions by senior officials*

Governors of the Central Bank and the employees who regularly attend its monetary and financial meetings, cf. the working procedures dated January 14, 2002, for the preparations of, arguments for and presentation of its monetary policy decisions, and employees of the Monetary Department, shall notify the Compliance Officer in accordance with the provisions of Article 8 about all securities owned by themselves, their spouses, children under the age of financial independence, stepchildren and foster-children, before April 1 each year. The abovementioned parties shall notify the Compliance Officer in advance about their transactions with securities and currency to a higher amount than 1 million kr. per individual transaction. The relevant party shall give the Compliance Officer sufficient scope to examine whether confidential information is at hand which in retrospect could call the legitimacy of such transactions 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.

Securities transactions connected with the acquisition or sale of own housing and which constitute a natural extension of such dealings are exempt from the provisions of this Article regarding notification to the Compliance Officer.

## Article 8

*Oversight of implementation of Rules, and documentation of communications*

The Chief Attorney of the Central Bank oversees implementation of the Rules and functions as the Compliance Officer.

He shall keep a record of currency and securities holdings and notified transactions, stating which securities and which currency transactions are involved, the nominal amount and exchange rate or price, and the time at which the proposed transaction was supposed to take place.

Securities and currency transactions by the Compliance Officer are covered by the provisions of Article 7. However, the Compliance Officer shall give the Chairman of the Supervisory Board advance notification of his transactions and keep a separate record of them.

## Article 9

*Transactions by a sovereign state or central bank*

Provisions in the Act, relating to the treatment of confidential information do not apply to transactions by a sovereign state, its central bank or parties undertaking transactions on their behalf, provided that these transactions constitute part of the relevant state's monetary policy, foreign exchange policy or debt management.

## Article 10

*Penalties*

The Board of Governors of the Central Bank of Iceland shall be notified of a violation of these Rules and may, depending on the nature and scope of the offence, apply without prior notice provisions 11.2.5 in the bank employees' wage agreement (immediate dismissal) before charges are filed with the competent authority.

Violations of the provisions of Chapter V of the Act on Securities Transactions (treatment of confidential information) are punishable by fines or imprisonment of up to two years. Furthermore, a court of law may rule that profits, direct or indirect, stemming from a violation of the provision, shall be confiscated.

Attempted violation and complicity are punishable as stated in the General Penal Code.

## Article 11

*Entry into force*

These Rules enter into force on December 1, 2002. At the same time, the corresponding Rules from June 23, 1993 are abrogated.

*Transitional provision*

The Compliance Officer shall have completed the first record of information in accordance with Article 7, cf. the provisions of Article 8, no later than April 1, 2003.

Reykjavík, November 28, 2002

*Central Bank of Iceland,*

**Birgir Ísleifur Gunnarsson**  
Chairman, Board of Governors

**Eiríkur Guðnason**  
Governor

**Ingimundur Friðriksson**  
Governor