

GUIDELINES
on the Foreign Exchange Act, no. 87/1992;
cf. Article 13(b), Paragraph 6 of the Act

1. General provisions

The Central Bank of Iceland has set these Guidelines in order to explain how to demonstrate that movement of capital derives from the types of transactions listed in Article 13(b), Paragraph 2 of the Foreign Exchange Act, no. 87/1992.

According to Article 13(b), Paragraph 2 of the Foreign Exchange Act, no. 87/1992, cross-border movement of capital is permitted if it is demonstrated that it derives from:

1. Trade in goods and services.
2. Wages that a non-resident or a resident living abroad, such as for purposes of work or study, has acquired in Iceland in the past six months. Wage-related expenses, student loans, unemployment benefits, pension benefits (including old-age pensions, disability pensions, and social assistance benefits), and other comparable payments are considered wages in the sense of this Item.
3. Gifts and grants to non-residents, such as individuals, charitable institutions, or other comparable parties, up to a maximum of 6,000,000 kr. per calendar year. Movement of capital for gifts and grants shall be deposited to an account owned by the recipient, and the donor or grantor shall be the beneficial owner of the funds in question.
4. Interest, indexation, contractual instalments, and dividends according to Article 13(j).
5. Rental income from real estate acquired by a non-resident in Iceland.
6. Prepayment and retirement of loans and investments in securities, mutual fund and investment fund units, money market instruments, other negotiable financial instruments, monetary claims and other comparable claims in foreign currency, importation and exportation of securities, or deposits to and withdrawals from accounts with financial undertakings, including withdrawals of cash for a combined maximum value equivalent to 100,000,000 kr. per party. Movement of capital or cash withdrawals on the basis of this provision are subject to the following conditions:
 - a. The party exercising the authorisation must be the beneficial owner of the funds.
 - b. An individual who exercises the authorisation must have reached the age of 18 years.
 - c. The asset position of a legal entity that exercises the authorisation must, as of 1 August 2016, be at least equal to the amount of the proposed movement of capital or cash withdrawal.
 - d. A financial undertaking that carries out movement of capital or processes a cash withdrawal must send the Central Bank of Iceland a notification specifying the purpose of the transaction within five business days. Notifications of prepayment and retirement of loans must be received by the Central Bank before the payments are executed, however.
7. Direct investment by residents. Movement of capital on the basis of this Item is subject to the requirement that the investor be the beneficial owner of the funds, that the investment entail a purchase of at least 10% of equity, and that the Central Bank have confirmed that the investment is classified as direct investment.

8. Importation of foreign currency to a deposit account with a domestic financial undertaking, but not when the payer is a resident and the recipient a non-resident.
9. Individuals' living expenses abroad.
10. Payment of taxes and public levies, legal fees pursuant to court order, accident benefits and compensatory damages accruing in Iceland, and inheritance payments due to a non-resident individual in accordance with an inheritance report confirmed by a Commissioner.
11. Purchase by an individual of one real property abroad per calendar year, subject to prior confirmation by the Central Bank of Iceland. An individual is authorised to pay a confirmation fee for a real estate transaction equalling up to 15% of the purchase price of the property without prior confirmation. If an individual sells or receives compensation for damage to a property abroad, he or she is authorised to use the sales proceeds or compensation to reinvest in another property abroad within six months.
12. Other movement of capital that is explicitly exempt pursuant to other provisions of this Act.

According to Article 13(c), Paragraph 2 of the Foreign Exchange Act, no. 87/1992, it is permissible to purchase foreign currency at a financial undertaking in Iceland when payment is remitted in domestic currency, when it is demonstrated that the foreign currency purchase is in connection with cross-border movement of capital that is exempt pursuant to Article 13(b), Paragraph 2, Items 1-7 and 9-11. Foreign currency purchases in connection with cross-border movement of capital pursuant to Article 13(b), Paragraph 2, Items 1, 3-7, and 10-11 are subject to the requirement that the payment be made to a non-resident. Non-residents' foreign currency purchases on the basis of Article 13(b), Paragraph 2, Item 4, cf. Article 13(j), are subject to the requirement that the foreign currency purchase be in connection with such payments from a resident in Iceland.

2. Central Bank of Iceland Guidelines on how to demonstrate that foreign exchange transactions and/or cross-border movement of capital derives from the types of transactions listed in Article 13(b), Paragraph 2 of the Foreign Exchange Act, no. 87/1992.

Payments for transactions with goods and services pursuant to Article 13(b), Paragraph 2, Item 1 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with trade in goods and services, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of an issued invoice, a confirmed order, a contract, a letter of claim, or other documentation demonstrating the purpose of the payment.

Electronic payment orders deriving from trade in goods and services are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 090-360.

Wage payments pursuant to Article 13(b), Paragraph 2, Item 2 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with wages that a non-resident or a

resident living abroad (such as for purposes of work or study) has acquired in Iceland in the past six months, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a confirmation of wage payments in the sense of this provision; i.e., a copy of a pay slip, a receipt for disbursement of a student loan, a remittance slip from the Directorate of Labour, and a confirmation of residence abroad by means of, for example, a confirmation from Registers Iceland, a residential lease, a confirmation of student status, etc.

Electronic payment orders deriving from wage payments are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 111 or 421.

Gifts and grants pursuant to Article 13(b), Paragraph 2, Item 3 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with gifts or grants, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with information on the reason for the gift or grant and the relationship between the donor and the recipient.

Electronic payment orders deriving from gifts and grants are identified with the appropriate classification key according to the Central Bank's DV classification key system: 407.

Interest, indexation, contractual instalments, and dividends pursuant to Article 13(b), Paragraph 2, Item 4, cf. Article 13(j), of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with interest, indexation, contractual instalments, or dividends, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with documentation demonstrating the party's obligation to pay, such as a copy of a loan agreement or a remittance slip. The contents of requests for confirmation or notifications shall be as is provided for in Chapter IV of the Rules on Foreign Exchange, no. 862/2016.

Electronic payment orders deriving from wage payments are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 500-699.

Rental income pursuant to Article 13(b), Paragraph 2, Item 5 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with rental income acquired in Iceland, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with documentation demonstrating that the party has received rental income in Iceland, such as a signed lease.

Electronic payment orders deriving from rental income are identified with the appropriate classification key according to the Central Bank's DV classification key system: 505.

Prepayments and retirement of obligations and investments pursuant to Article 13(b), Paragraph 2, Item 6 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with prepayment or retirement of obligations or investments pursuant to Article 13(b), Paragraph 2, Item 6 of Act no. 87/1992, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with documentation demonstrating

the existence of the obligation or investment – i.e., by presenting the pertinent contracts – as applicable.

Electronic payment orders deriving from prepayment and retirement of obligations are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 609-620.

Electronic payment orders deriving from foreign investments are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 500-580.

Direct investment pursuant to Article 13(b), Paragraph 2, Item 7 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with direct investment, confirmation must be requested from the Central Bank of Iceland before the transactions are carried out. The contents and procedures for notifications due to direct investment shall be as is provided for in Article 25 of the Rules on Foreign Exchange, no. 862/2016.

Electronic payment orders deriving from direct investment are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 511 or 620.

Living expenses pursuant to Article 13(b), Paragraph 2, Item 9 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with an individual's living expenses abroad, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with copies of invoices or account statements demonstrating the existence of living expenses in the sense of this provision. An individual's expenses incurred in the most recent calendar year may be considered for this purpose.

Electronic payment orders deriving from individuals' living expenses abroad are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 421-430.

Payments of taxes and public levies and other payments pursuant to Article 13(b), Paragraph 2, Item 10 of Act no. 87/1992

When a party purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with the payment of taxes and public levies to authorities abroad, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a confirmation of the resident's payment obligation vis-à-vis the authorities concerned, such as a remittance slip or a tax assessment notice.

When a non-resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with overpayment of taxes and public levies for which he has been reimbursed by domestic authorities, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a confirmation of reimbursement from the tax authorities, such as a remittance slip or a tax assessment notice.

When a non-resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with court costs that he has received pursuant to the order of a court in Iceland or a judicial settlement, it is sufficient to

provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of the court judgment or judicial settlement.

When a resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with court costs that he is required to pay pursuant to the order of a court abroad or a judicial settlement, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of the court judgment or judicial settlement.

When a resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with accident benefits or compensatory damages that he has received from a domestic insurance company or pursuant to the order of a court in Iceland or a judicial settlement, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of the receipt from the insurance company, the court judgment, or the judicial settlement.

When a resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with accident benefits or compensatory damages that he is required to pay pursuant to the order of a court abroad or a judicial settlement, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of the court judgment or judicial settlement.

When a non-resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with an inheritance that he has received in Iceland, it is sufficient to provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a copy of the inheritance report, confirmed by a Commissioner.

Electronic payment orders deriving from taxes and public levies are identified with the appropriate classification key according to the Central Bank's DV classification key system: 401.

Electronic payment orders deriving from accident benefits and compensatory damages are identified with the appropriate classification keys according to the Central Bank's DV classification key system: 265 or 401.

Electronic payment orders deriving from court costs are identified with the appropriate classification key according to the Central Bank's DV classification key system: 350.

Electronic payment orders deriving from inheritance are identified with the appropriate classification key according to the Central Bank's DV classification key system: 407.

Real estate purchases pursuant to Article 13(b), Paragraph 2, Item 11 of Act no. 87/1992

When a non-resident purchases foreign currency from a financial undertaking in Iceland and/or transfers foreign currency across borders in connection with the purchase of real estate abroad, he or she must provide the financial undertaking in Iceland acting as an intermediary for the foreign exchange transaction and/or movement of capital with a signed purchase agreement or agreement for the purchase of residence rights. Real estate purchases abroad are subject to confirmation by the Central Bank of Iceland. Requests for Central Bank of Iceland confirmation of real estate transactions pursuant to Article 13(b), Paragraph 2, Item 11 of Act no. 87/1992, shall be sent by the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital. If the real estate transaction takes place without the involvement of a domestic financial undertaking, the purchaser of the property shall request Central Bank of Iceland confirmation him- or herself. The contents of requests for confirmation

or notifications shall be as is provided for in Article 26 of the Rules on Foreign Exchange, no. 862/2016.

Electronic payment orders deriving from purchases of real estate abroad are identified with the appropriate classification key according to the Central Bank's DV classification key system: 501.