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No. 518

13 June 2016

## **RULES**

### **Amending the Central Bank of Iceland Rules on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 425/2016**

#### Article 1

The following shall be inserted after the words “implementation of Articles” in Article 1 of the Rules: 5,.

#### Article 2

A new Chapter, which comprises nine Articles and changes the numerical order of the Chapters and Articles that follow, shall be inserted after Chapter II of the Rules and shall read as follows:

### **CHAPTER III**

#### **Custody of offshore króna assets in the form of electronically registered securities**

a. (Article 5. *Takeover by the Central Bank of Iceland of the rights and obligations of the account operator*)

Upon the transfer of electronically registered securities to an administrative account with the Central Bank of Iceland, in the name of the custodian concerned, in accordance with the instructions in Article 5, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, the Central Bank of Iceland takes over the rights and obligations of the account operator in the sense of the Act on Electronic Registration of Title to Securities, as of the day the Central Bank formally took custody of the offshore króna assets, in each instance, in the administrative account in the name of the custodian. Those obligations of the account operator that were established prior to that time, whether contractual or non-contractual, are the responsibility of the previous account operator and not the Central Bank.

b. (Article 6. *Execution of transfer of electronically registered securities*)

The custodian shall provide the Central Bank with itemised information on the electronically registered securities, together with any information on the custodian that the Bank may request and is necessary for the transfer, including information for communications purposes, cf. Article 9 of these Rules, at least seven business days prior to the transfer.

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The Central Bank of Iceland will establish an administrative account in the name of the custodian in connection with the transfer according to this Article and will notify the custodian of the administrative account number with the Nasdaq CSD Iceland hf. securities depository, provided that the custodian has furnished the Bank with the information according to Article 7, Paragraph 1 of these Rules.

The electronically registered securities shall be delivered to the transfer zone in the national ID number of the Central Bank of Iceland. The Central Bank will request that the securities depository assign the electronically registered securities in question a provisional international ISIN identity code for securities before depositing them to the custodian's administrative account.

c. (Article 7. *Custodian's due diligence statement*)

Upon transferring the electronically registered securities, the custodian shall provide the Central Bank with a statement, in any form the Central Bank chooses, that includes the following:

1. A statement that the custodian is in possession of information concerning the beneficial owner and origins of the funds.
2. A statement by the custodian that the beneficial owner of the funds is not subject to sanctions pursuant to the Act on Implementation of International Sanctions.

The custodian shall submit the following documentation to the Central Bank upon request:

1. A detailed description of the method used to carry out the due diligence analysis provided for in Paragraph 1. If the custodian has relied on information from a third party, it shall also be able to describe the methods used by the third party to carry out the due diligence analysis.
2. Copies of the relevant documentation (the depository's own or third-party documentation) confirming the identity of the beneficial owner.
3. The name of the beneficial owner and, if applicable, related legal entities with respect to payments of interest, principal, and dividends, and any other payments due to the offshore króna assets in the administrative account with which the Central Bank is involved as account operator.
4. A list of the names of beneficial owners and, if applicable, the names of the legal entities to which they are connected.

The custodian is authorised to deliver the documentation according to Paragraph 2 to the Central Bank at any time, without prior request from the Bank.

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d. (Article 8. *Transfers of offshore króna assets between administrative accounts*)

It is permissible to transfer offshore króna assets between custodians' administrative accounts with the Central Bank of Iceland, provided that such transfer does not involve a change in registration of title.

e. (Article 9. *Communications with the Central Bank*)

Custodians are authorised to provide instructions on transfers according to Article 8, or on other disposals of offshore króna assets that are permissible according to these Rules or the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, either electronically or in writing; i.e., by SWIFT instructions, by fax, or by e-mail. The instructions shall contain all of the necessary information; i.e., nominal value, ISIN identity code, description of the securities, transaction date, and settlement date.

The Central Bank of Iceland may refuse to execute the instructions according to Paragraph 1 if it suspects that they do not come from the custodian.

The custodian shall provide the Central Bank with information on the address, e-mail address, SWIFT BIC, telephone number, and/or fax number that the Bank needs in order to communicate with the custodian about the administrative account.

f. (Article 10. *Information disclosure concerning the balance on the administrative account*)

The Central Bank sends the custodian a monthly statement showing the balance on the administrative account.

All queries on the administrative account shall be directed to the Central Bank of Iceland Finance Department at the e-mail address bakvinnsla@sedlabanki.is, or at the SWIFT BIC: SISLISRE.

The Central Bank will notify the custodian, in electronic form, such as by SWIFT message or by e-mail, of any information on company actions that it receives and that pertain to the electronically registered securities.

g. (Article 11. *Payments of interest, dividends, and instalments; prepayments and/or final payments*)

Settlement and redemption of electronically registered securities shall take place in Icelandic krónur, which shall be deposited to accounts subject to special restrictions as is described in this Article, in accordance with Article 5, Paragraph 3 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.

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If payments of interest or dividends are made on electronically registered securities, the Central Bank shall so notify the custodian of the securities and pay the interest to the custodian, which shall then remit payment to the relevant accounts subject to special restrictions. In the event of instalments, prepayments, and/or final payments, the same shall apply.

In all instances wherein the payments according to Paragraphs 1 and 2 are denominated in foreign currency, settlement shall take place in Icelandic krónur in the following manner: the foreign currency shall be exchanged for Icelandic krónur at the Central Bank of Iceland's official reference exchange rate on the date the payment was received, and the Icelandic krónur shall be deposited to an account owned by the custodian, which shall remit payment to the appropriate account subject to special restrictions.

h. (Article 12. *Participation in shareholders' meetings*)

If an owner of offshore króna assets in the form of equity securities requests to participate in a shareholders' meeting, the custodian shall notify the Central Bank of the name and national ID number of the beneficial owner and the nominal value of the owner's holdings at least two business days prior to the shareholders' meeting. The Central Bank opens an account at the securities depository in the name of the beneficial owner of which it has been notified and transfers the holding to the account so that the owner appears in shareholder registers before the end of the day prior to the shareholders' meeting. If ownership changes after the notification from the custodian according to the first sentence and before the shareholders' meeting, the Central Bank shall be so notified as soon as possible. Following the shareholders' meeting, the Central Bank shall request that the assets be transferred back to the administrative account of the custodian concerned.

i. Article 13. *Direct-debit of administration fees*)

The Central Bank of Iceland debits the custodian's real-time gross settlement (RTGS) account with the Central Bank of Iceland for the amount of the administration fees pursuant to Article 13 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, in accordance with a tariff set by the Bank.

Article 3

*Ministerial approval*

These Rules have been approved by the Minister of Finance and Economic Affairs, and the approval is published as an attachment to these Rules.

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Article 4

*Entry into force, etc.*

These Rules, which are set in accordance with the authorisation contained in Article 25, Paragraph 2 of Act no. 37/2016, shall enter into force immediately.

Reykjavík, 13 June 2016  
Central Bank of Iceland

Már Guðmundsson  
Governor

Ragnar Árni Sigurðarson  
Deputy General Counsel

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**Attachment**

**Ministerial approval**

With reference to the second sentence of Article 25, Paragraph 2 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, the Minister of Finance and Economic Affairs has approved the Central Bank of Iceland Rules Amending Rules no. 425/2016 on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.

Ministry of Finance and Economic Affairs, 13 June 2016

for the Minister of Finance and Economic Affairs

Guðrún Þorleifsdóttir

Guðmundur Kári Káráson