

RULES on foreign exchange

CHAPTER I

Cross-border movement of domestic currency

Article 1

General

Cross-border movement of capital shall mean the transfer or transport of capital across national borders and the transfer or transport of capital between residents and non-residents; cf. Article 1 of Act no. 87/1992. It follows from the first sentence that the transfer of funds between residents and non-residents, irrespective of whether such transfer or transport takes place by withdrawal from an account with a financial undertaking in Iceland and deposit to an account with a financial undertaking abroad, or vice versa, by transfer between two accounts with financial undertakings in Iceland, and/or by transfer between two accounts with financial undertakings abroad, always entails cross-border movement of capital. Furthermore, the transfer and transport of capital to and from Iceland, where the funds are transferred from an account with a financial undertaking in Iceland to an account with a financial undertaking abroad, or vice versa, always entails cross-border movement of capital, irrespective of whether or not the funds are being transferred between accounts owned by the same party.

Article 2

Investment in financial instruments issued in domestic currency by withdrawal from an account with a domestic financial undertaking

Cross-border movement of capital due to transactions with financial instruments issued in domestic currency that are specified on the Central Bank of Iceland exemption list, where payment is made in domestic currency from the purchaser's account with a financial undertaking in Iceland, is exempt from the prohibition set forth in Article 13(b), Paragraph 3 of Act no. 87/1992. An exemption list pursuant to the first sentence is published on the Central Bank of Iceland website.

Foreign financial undertakings' accounts in domestic currency (Vostro accounts) are not considered accounts with financial undertakings in Iceland; cf. Article 13(b), Paragraph 5 of Act no. 87/1992.

Funds released upon the resale of financial instruments pursuant to Paragraph 1 shall be returned to a domestic currency account owned by the seller with a financial undertaking in Iceland.

Article 3

Investment in financial instruments issued in domestic currency by withdrawal from an account owned by a foreign financial undertaking (Vostro account)

Cross-border movement of capital due to transactions with financial instruments issued in domestic currency that are specified on the Central Bank of Iceland exemption list, where payment is made in domestic currency from an account owned by a foreign financial institution (Vostro account), is exempt from the prohibition set forth in Article 13(b), Paragraph 3 of Act no.

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.

87/1992. An exemption list pursuant to the first sentence is published on the Central Bank of Iceland website.

Funds released upon the resale of financial instruments pursuant to Paragraph 1 shall be returned to a domestic currency account owned by the foreign financial undertaking (Vostro account).

CHAPTER II

Real estate transactions due to change of residence and investment in motor vehicles

Article 4

Real estate transactions due to change of residence

A request for Central Bank of Iceland confirmation of real estate transactions between parties in connection with a change of residence, pursuant to Article 13(f), Paragraph 2 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.

The financial undertaking's request according to Paragraph 1 shall contain the following information and documentation:

- a. The date of the request for confirmation.
- b. The name of the purchaser
- c. The purchaser's national identification number
- d. The purchaser's foreign address
- e. The name of the seller
- f. The seller's national identification number or other registration number, if available
- g. The address of the seller
- h. The name, e-mail address, and telephone number of a contact from the financial undertaking acting as an intermediary for the foreign exchange transactions and transfer of funds pursuant to Article 13(f), Paragraph 2 of Act no. 87/1992
- i. A copy of the real estate purchase agreement
- j. A confirmation of change of residence from Registers Iceland

The confirmation from the Central Bank of Iceland, cf. Article 13(f), Paragraph 2 of Act no. 87/1992, is sent electronically to the purchaser's contact at a financial undertaking in Iceland.

A copy of the transfer of title for real estate transactions shall be sent to the Central Bank of Iceland within a month from the date transfer of title takes place, but no later than twelve months after the foreign exchange transactions and movement of capital pursuant to Article 13(f), Paragraph 2 have taken place, subject to per diem fines; cf. Article 13(p), of Act no. 87/1992.

If the purchaser neglects to submit the transfer of title pursuant to Paragraph 4 of this provision and the movement of capital has taken place, the purchaser shall submit the foreign currency to a financial undertaking in Iceland within three weeks after the period of time specified in Paragraph 4 has passed. If the party has purchased foreign currency for a real estate transaction, pursuant to Article 13(f), Paragraph 2 of Act no. 87/1992, from a financial undertaking in Iceland, the party shall also convert that foreign currency to domestic currency at a financial undertaking in Iceland within three weeks after the period of time specified in Paragraph 4 has passed.

The Central Bank of Iceland shall be notified of the foreign exchange transactions and movement of capital pursuant to Paragraph 5 within two weeks after the transactions take place.

A request for confirmation and documentation shall be sent electronically to the Central Bank of Iceland Capital Controls Surveillance Unit at the e-mail address ge.gagnaskil@sedlabanki.is,

according to the Central Bank of Iceland's guidelines on the implementation of these Rules, cf. Article 15, published on the Bank's website.

Article 5

Investment in motor vehicles for importation and personal use

A request for Central Bank of Iceland confirmation of the purchase and importation of motor vehicles for personal use, pursuant to Article 13(f), Paragraph 5 of Act no. 87/1992, shall be sent by the financial undertaking that acts as an intermediary for the foreign exchange transactions and transfer of funds.

A financial undertaking's request according to Paragraph 1 shall contain the following information and data:

- a. The date of the request for confirmation
- b. The name of the purchaser
- c. The purchaser's national identification number
- d. The address of the purchaser
- e. The name of the seller
- f. The seller's national identification number or other registration number, if available
- g. The address of the seller
- h. The name, e-mail address, and telephone number of a contact from the financial undertaking acting as an intermediary for the foreign exchange transactions and transfer of funds pursuant to Article 13(f), Paragraph 5 of Act no. 87/1992
- i. Copy of purchase agreement or accepted purchase offer

The confirmation from the Central Bank of Iceland, cf. Article 13(f), Paragraph 5 of Act no. 87/1992, is sent electronically to the purchaser's contact at a financial undertaking in Iceland.

A copy of the motor vehicle importation report shall be sent to the Central Bank of Iceland within a month from the date the report is available, but no later than six months after the foreign exchange transactions and movement of capital pursuant to Article 13(f), Paragraph 5 have taken place, subject to per diem fines; cf. Article 13(p), of Act no. 87/1992.

If the purchaser neglects to submit the importation report pursuant to Paragraph 4 of this provision and the movement of capital has taken place, the purchaser shall submit the foreign currency to a financial undertaking in Iceland within three weeks after the period of time specified in Paragraph 4 has passed. If the party has purchased foreign currency for the purchase and importation of a motor vehicle, pursuant to Article 13(f), Paragraph 5 of Act no. 87/1992, from a financial undertaking in Iceland, the party shall also exchange that foreign currency for domestic currency at a financial undertaking in Iceland within three weeks after the period of time specified in Paragraph 4 has passed.

The Central Bank of Iceland shall be notified of the foreign exchange transactions and movement of capital pursuant to Paragraph 5 within two weeks of the time the transactions take place.

A request for confirmation and documentation shall be sent electronically to the Central Bank of Iceland Capital Controls Surveillance Unit at the e-mail address ge.gagnaskil@sedlabanki.is, according to the Central Bank of Iceland's guidelines on the implementation of these Rules, cf. Article 15, published on the Bank's website.

CHAPTER III

Interest, indexation, dividends, and contractual payments

Article 6

General

Foreign exchange transactions and cross-border movement of capital deriving from payments pursuant to Article 13(j) of Act no. 87/1992 are authorised with prior confirmation from the Central Bank of Iceland; cf. Article 13(j), Paragraph 9 of Act no. 87/1992.

Residents are only authorised to carry out foreign exchange transactions and movement of capital on the basis of Article 13(j) of Act no. 87/1992 in order to remit payments to non-residents in accordance with the provision. Non-residents are only authorised to carry out foreign exchange transactions and movement of capital on the basis of Article 13(j) of Act no. 87/1992 in connection with payments received from residents in this country.

Capital gains are not covered by Article 13(j) of Act no. 87/1992.

Article 7

Interest and indexation of interest on bonds issued in domestic currency, loan agreements in domestic currency, and deposits in domestic currency with domestic financial undertakings

It follows from Article 13(j), Paragraph 2 of Act no. 87/1992 that it is prohibited to convert the following interest payments to foreign currency:

1. Interest on bonds issued by non-residents in Icelandic krónur (Glacier bonds);
2. Interest on any type of financial instrument issued by a non-resident;
3. Interest on króna-denominated accounts held at foreign financial undertakings.

A request for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of foreign currency deriving from the payment to non-residents of interest and indexation of interest on króna-denominated deposits with domestic financial undertakings, loan agreements in domestic currency, and bonds issued in domestic currency, pursuant to Article 13(j), Paragraph 9 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.

Cross-border movement of domestic currency deriving from payments according to Paragraph 2 does not require confirmation from the Central Bank of Iceland.

Central Bank confirmation of foreign exchange transactions and cross-border movement of capital pursuant to Paragraph 2 shall be requested within six months of the interest payment date.

The confirmation by the Central Bank of Iceland, cf. Article 13(j), Paragraph 9 of Act no. 87/1992, shall be sent electronically to a contact person at the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital.

Article 8

Contents of requests for confirmation according to Article 7

The following information and documentation shall accompany requests for confirmation according to Article 7, Paragraph 2, as appropriate:

1. Interest and indexation of interest on bonds issued in domestic currency.
 - a. The date of the request for confirmation.
 - b. Name and national identification number of issuer.
 - c. Identity number/Name of issue.
 - d. ISIN number of issue.
 - e. Date of issue.
 - f. Maturity date.

- g. Auction exchange rate.
 - h. Nominal value.
 - i. Date of bond purchase.
 - j. Amount.
 - k. Date of bond sale.
 - l. Sale value.
 - m. Interest period.
 - n. Settlement date.
 - o. Interest rate and amount.
 - p. Indexation of interest.
 - q. Commission amount.
 - r. Investment tax (Financial income tax).
 - s. Name, national identification number, and address of investor.
 - t. Country/Domicile of investor.
 - u. Investor's bank account information.
 - v. Name and national identification number of securities custodian.
 - w. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - x. Settlement receipt for the bond sale, confirmed by the financial institution concerned by means of employee signature and stamp.
 - y. Settlement receipt for payment of interest, confirmed by the financial institution concerned by means of employee signature and stamp.
 - z. If no settlement receipt for interest payments is available because the bond was sold before the interest payment date, a settlement receipt for the sale, confirmed by the financial institution concerned by means of employee signature and stamp, shall be submitted instead.
2. Interest and indexation of interest on loan agreements in domestic currency.
- a. The date of the request for confirmation.
 - b. Name and national identification number of borrower.
 - c. Date of loan.
 - d. Original amount of loan.
 - e. Outstanding balance of loan before payment.
 - f. Interest period.
 - g. Interest payment date.
 - h. Interest rate.
 - i. Amount of interest payment.
 - j. Indexation of interest.
 - k. Instalment of principal.
 - l. Investment tax (Financial income tax).
 - m. Name and national identification number of lender.
 - n. Address of lender.
 - o. Country/Domicile of lender.

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.

- p. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - q. Loan agreement.
 - r. Remittance slip.
3. Interest and indexation of interest on deposits in domestic currency.
- a. The date of the request for confirmation.
 - b. National identification number of financial undertaking.
 - c. IBAN account for interest payments.
 - d. Interest payment date.
 - e. Interest period.
 - f. Principal before interest payment.
 - g. Average interest rate for the period.
 - h. Interest amount.
 - i. Number of days.
 - j. Name, national identification number, and address of investor.
 - k. Country/Domicile of investor.
 - l. Investor's IBAN account number.
 - m. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - n. Confirmation of disbursement of interest payment, confirmed by the financial institution concerned by means of employee signature and stamp.

A request for confirmation pursuant to Article 7, Paragraph 2 shall be accompanied by an Excel document containing calculations according to the Central Bank guidelines on further implementation of these Rules, cf. Article 15, which are published on the Bank's website.

A request for confirmation pursuant to Article 7, Paragraph 2, and documentation shall be sent electronically to the Central Bank of Iceland, according to the Central Bank's guidelines on the implementation of these Rules, cf. Article 15, published on the Bank's website.

Article 9

Interest on bonds issued in foreign currency, loan agreements in foreign currency, and foreign-denominated deposits with domestic financial undertakings

According to Article 13(j), Paragraph 2 of Act no. 87/1992, it is only permissible to convert into foreign currency interest on deposits with domestic financial undertakings, accrued interest on bonds issued by domestic issuers, and interest on loan agreements where a non-resident is the lender and a resident is the borrower.

A request for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of capital deriving from the payment to non-residents of interest on foreign-denominated deposits with domestic financial undertakings, loan agreements in foreign currency, and bonds issued in foreign currency, pursuant to Article 13(j), Paragraph 9 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.

Foreign exchange transactions and cross-border movement of capital deriving from payments pursuant to Paragraph 2, where the amount of the payment of instalment and/or interest combined is less than the equivalent of 10,000,000 kr., do not require confirmation from the Central Bank of Iceland. Payments that meet the requirements of the first sentence must be reported to the Central Bank of Iceland pursuant to Paragraph 4, however.

A request for confirmation or a notification to the Central Bank of Iceland pursuant to Paragraphs 2 and 3 shall be received within six months of the interest payment date.

The confirmation by the Central Bank of Iceland, cf. Article 13(j), Paragraph 9 of Act no. 87/1992, shall be sent electronically to a contact person at the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital.

Article 10

Contractual instalment payments

Pursuant to Article 13(j), Paragraph 5 of Act no. 87/1992, it is prohibited to carry out foreign exchange transactions with payments of instalments and indexation of bond principal.

A request for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of capital deriving from contractual payments of instalments on loan agreements in foreign currency, pursuant to Article 13(j), Paragraph 9 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. Furthermore, confirmation shall be requested from the Central Bank of Iceland for cross-border movement of capital deriving from contractual instalments of bonds issued in foreign currency.

Cross-border movement of domestic currency deriving from the payment of contractual instalments of loans in domestic currency and bonds issued in domestic currency does not require confirmation from the Central Bank of Iceland.

Foreign exchange transactions and cross-border movement of capital deriving from payments pursuant to Paragraph 2, where the amount of the contractual instalment and/or interest combined is less than the equivalent of 10,000,000 kr., do not require confirmation from the Central Bank of Iceland. Payments that meet the requirements of the first sentence must be reported to the Central Bank of Iceland pursuant to Paragraph 5, however.

A request for confirmation or a notification to the Central Bank of Iceland pursuant to Paragraphs 2 and 4 shall be received within six months of the payment date.

It is permissible to request prior confirmation from the Central Bank of Iceland for foreign exchange transactions and cross-border movement of capital for the payment of outstanding contractual instalments and interest, provided that the outstanding balance does not exceed the equivalent of 200,000,000 kr.

The confirmation by the Central Bank of Iceland, cf. Article 13(j), Paragraph 9 of Act no. 87/1992, shall be sent electronically to a contact person at the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital.

Article 11

Contents of requests for confirmation or notifications according to Articles 9 and 10

The following information and documentation shall accompany requests for confirmation or notifications according to Articles 9 and 10, as appropriate:

1. Contractual instalments and/or interest on bonds:
 - a. The date of the request for confirmation/notification.
 - b. Name and national identification number of issuer.

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.

- c. Identity number/Name of issue.
 - d. ISIN number of issue.
 - e. Date of issue.
 - f. Maturity date.
 - g. Currency of issuance.
 - h. Nominal value.
 - i. Outstanding nominal value before payment.
 - j. Interest period.
 - k. Interest rate.
 - l. Interest amount.
 - m. Instalment of principal.
 - n. Settlement date of instalment and/or interest payment.
 - o. Name and national identification number of owner.
 - p. Address of owner.
 - q. Country/Domicile of owner.
 - r. Investor's foreign-denominated IBAN account number.
 - s. Name and national identification number of securities custodian.
 - t. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - u. Securities prospectus.
 - v. Contracts underlying the issue.
2. Contractual instalments and interest on loan agreements:
- a. The date of the request for confirmation/notification.
 - b. Name and national identification number of borrower.
 - c. Country/Domicile of borrower.
 - d. Date of loan.
 - e. Maturity date.
 - f. Loan currency.
 - g. Original amount of loan.
 - h. Outstanding balance of loan before payment.
 - i. Interest period.
 - j. Payment due date.
 - k. Interest rate.
 - l. Amount of interest payment.
 - m. Instalment of principal.
 - n. Investment tax (Financial income tax).
 - o. Name and national identification number of lender.
 - p. Address of lender.
 - q. Country/Domicile of lender.
 - r. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.

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.

- s. Loan agreement.
 - t. Remittance slip.
3. Interest on foreign-denominated deposits:
- a. The date of the request for confirmation/notification.
 - b. National identification number of financial undertaking.
 - c. IBAN number of interest-bearing account.
 - d. Currency.
 - e. Interest payment date.
 - f. Interest period.
 - g. Principal before interest payment.
 - h. Average interest rate for the period.
 - i. Interest amount.
 - j. Number of days.
 - k. Name, national identification number, and address of investor.
 - l. Country/Domicile of investor.
 - m. Investor's IBAN account number.
 - n. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - o. Confirmation of disbursement of interest payment, confirmed by the financial institution concerned by means of employee signature and stamp.

A request for confirmation pursuant to Article 9, Paragraph 2, and Article 10, Paragraph 2, or a notification according to Article 9, Paragraph 3 and Article 10, Paragraph 4, and documentation shall be sent electronically to the Central Bank of Iceland, according to the Central Bank's guidelines on the implementation of these Rules, cf. Article 15, published on the Bank's website.

Article 12

Cross-border movement of capital and foreign exchange transactions deriving from payments that are remitted by parties fulfilling the conditions of Article 13(n) of Act no. 87/1992 and are exempt from Central Bank of Iceland confirmation

Cross-border movement of capital deriving from payments according to Articles 9 and 10 that are remitted by parties meeting the conditions of Article 13(n), Paragraph 2, 4, 6, or 7 of Act no. 87/1992, does not require confirmation from the Central Bank of Iceland. Cross-border movement of foreign currency falling under the provisions of this Paragraph shall be reported to the Central Bank of Iceland, however.

Cross-border movement of capital and foreign exchange transactions deriving from payments according to Articles 9 and 10 that are remitted by parties meeting the conditions of Article 13(n), Paragraph 3 of Act no. 87/1992, do not require confirmation from the Central Bank of Iceland. Cross-border movement of foreign currency and foreign exchange transactions falling under the provisions of this Paragraph shall be reported to the Central Bank of Iceland, however.

Article 13 *Dividends*

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.

A request for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of capital deriving from the payment of dividends by residents to non-residents, pursuant to Article 13(j), Paragraph 9 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. Cross-border movement of domestic currency deriving from dividend payments does not require confirmation from the Central Bank of Iceland.

Foreign exchange transactions and cross-border movement of capital deriving from payments pursuant to Paragraph 1, where the amount of the dividend payment is less than the equivalent of 1,000,000 kr., do not require confirmation from the Central Bank of Iceland. Payments that meet the requirements of the first sentence must be reported to the Central Bank of Iceland pursuant to Paragraph 3, however.

A request for confirmation or a notification to the Central Bank of Iceland pursuant to Paragraphs 1 and 2 shall be received within six months of the dividend payment date.

The confirmation by the Central Bank of Iceland, cf. Article 13(j), Paragraph 9 of Act no. 87/1992, shall be sent electronically to a contact person at the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital.

Article 14

Contents of requests for confirmation according to Article 13

The following information and documentation shall accompany requests for confirmation or notifications according to Article 13, as appropriate:

- a. The date of the request for confirmation/notification.
- b. Name and national identification number of payer of dividend.
- c. Country/Domicile of payer of dividend.
- d. Identity number/name of payer of dividend.
- e. ISIN number of payer of dividend.
- f. Currency of share capital issuance.
- g. Nominal value of asset.
- h. Date of share capital purchase.
- i. Dividend payment date.
- j. Dividend percentage.
- k. Dividend amount.
- l. Dividend currency.
- m. Investment tax (Financial income tax).
- n. Name and national identification number of auditor.
- o. Name and national identification number of shareholder.
- p. Address of shareholder.
- q. Country/Domicile of shareholder.
- r. IBAN number of shareholder's foreign currency account.
- s. Name and national identification number of securities custodian.
- t. Name, e-mail address, and telephone number of contact at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
- u. Confirmation from certified accountant/auditor of the payer of dividends, signed and stamped.

A request for confirmation pursuant to Article 13, Paragraph 1, or a notification according to Article 13, Paragraph 2, and documentation shall be sent electronically to the Central Bank of Iceland, according to the Central Bank's guidelines on the implementation of these Rules, cf. Article 15, published on the Bank's website.

CHAPTER IV

Guidelines, sanctions, and entry into force

Article 15

Guidelines

The Central Bank may set further guidelines concerning the implementation of these Rules.

Article 16

Sanctions

Violations of the provisions of these Rules are subject to administrative fines and penalties in accordance with Articles 15(a) – 15(d), Article 15(h), Article 16, and Articles 16(a) – (b) of Act no. 87/1992, with subsequent amendments.

Article 17

Entry into force

These Rules are set in accordance with the authority contained in Article 13(b), Paragraph 4; Article 13(f), Paragraphs 2 and 5; Article 13(j), Paragraph 9; Article 13(o), Paragraph 4; and Article 13(p), Paragraph 3 of Act no. 87/1992, with subsequent amendments. These Rules shall take effect immediately.

Reykjavík, 4 April 2013

Central Bank of Iceland

Már Guðmundsson

Governor

Ingibjörg Guðbjartsdóttir

Director, Capital Controls

Surveillance Unit