

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 always entails cross-border movement of capital, 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. 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' domestic currency accounts (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 undertaking (Vostro account), 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.

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).

Article 4

Movement of capital due to payment of premiums according to supplemental insurance agreements, for acquisition of third-pillar pension savings

For the purposes of this provision, *supplemental pension insurance protection* shall mean insurance protection in excess of the minimum protection defined by pension funds and paid for via contributions according to a separate contract on third-pillar pension savings with the parties specified

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in Article 8, Paragraph 3, Subparagraphs 1-3 of the Act on Mandatory Insurance of Pension Rights and on Activities of Pension Funds, no. 129/1997.

Cross-border movement of capital for payment of premiums allocated to the accumulation of third-pillar pension savings or pension rights on the basis of a supplemental insurance agreement in domestic currency, cf. Chapter II of Act no. 129/1997, where payment is made in domestic currency from an employer's account with a domestic financial undertaking, an employee's account with a domestic financial undertaking, or an account owned by a resident legal entity that handles the collection of such premiums and held at a domestic financial undertaking, to an account held at a domestic financial undertaking and owned by a non-resident custodian authorised to operate in this country pursuant to Chapter II of Act no. 129/1997 shall be exempt from the prohibition provided for in Article 13(b), Paragraph 3 of Act no. 87/1992.

Custodians of pension rights, cf. Paragraph 2, are authorised to purchase foreign currency from a financial undertaking in Iceland and export that foreign currency for payment of service charges deriving from premium payments according to Paragraph 2, upon receiving confirmation by the Central Bank of Iceland.

Requests for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of foreign currency according to Paragraph 3 shall be sent by the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital. Requests for Central Bank confirmation according to Paragraph 3 shall be accompanied by documents showing how large a portion of the premium payments will be used for creation of principal, for payment of commissions, and for payment of non-life insurance premiums. The above may be demonstrated, *inter alia*, with contracts and calculations of service charges, as well as other data that the Central Bank may request and is necessary in order to demonstrate that the amounts concerned represent service charges. Requests for confirmation according to Paragraph 3, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland Capital Controls Surveillance Unit at the e-mail address ge.gagnaskil@sedlabanki.is.

Custodians of pension rights, cf. Paragraph 2, are authorised to conduct transactions with financial instruments issued in domestic currency by residents and with real estate in Iceland, using the domestic currency they receive in Iceland from payment of premiums according to Paragraph 2.

On the second Friday of each month, custodians of pension rights, cf. Paragraph 2, shall send the information specified in Items (a)-(d) below to the Central Bank of Iceland at the e-mail address ge.gagnaskil@sedlabanki.is.

- a. A summary of all supplemental insurance agreements that have been concluded with individuals, itemised as follows:
 - i. Active contracts concluded prior to 28 November 2008.
 - ii. Inactive contracts concluded prior to 28 November 2008.
 - iii. Active contracts concluded after 28 November 2008.
 - iv. Inactive contracts concluded after 28 November 2008.
- b. A summary of all supplemental insurance agreements for which payouts have begun.
- c. The itemisation according to Item (a) shall include the following information, presented in MS-Excel format:
 - i. Payer's name.
 - ii. Payer's national identification number.
 - iii. Date of first payment.
 - iv. Date of last payment.
 - v. Principal.
 - vi. Amount of most recent payment.
 - vii. Type of agreement.
- d. The itemisation according to Item (b) shall include the following information, presented in MS-Excel format:
 - i. Name of counterparty.
 - ii. Counterparty's national identification number.
 - iii. Principal before payment.
 - iv. Amount of payment.
 - v. Principal after payment.
 - vi. Type of agreement.

The term *active contract* as set forth in Paragraph 6, Item (a) refers to an agreement under which payment of premiums has taken place within 60 days prior to the date of the summary. The term *inactive contract* according to Paragraph 6, Item (a) refers to all agreements other than active contracts.

Funds released through payouts made on the basis of an agreement according to Paragraph 2 when the contractual rights holder begins drawing pension benefits according to the Act on Mandatory Insurance of Pension Rights and on Activities of Pension Funds, no. 129/1997, and funds released through payouts according to Temporary Provision VIII of Act no. 129/1997 shall be exempt from the prohibition set forth in Article 13(b), Paragraph 3 of Act no. 87/1992, and shall be paid in domestic currency to the rights holder's account with a financial undertaking in Iceland.

Article 5

Movement of capital for payment of premiums according to agreements for savings plan insurance, single-premium life insurance, and regular periodic savings

Cross-border movement of capital for payment of premiums used, wholly or in part, to accumulate rights or benefits on the basis of an agreement concluded in domestic currency for savings plan insurance, single-premium insurance, or regular periodic savings with a non-resident insurance company, where payment is made by transfer of domestic currency from the rights holder's account with a financial institution in Iceland to the insurance company's account with a financial institution in Iceland, shall be exempt from the prohibition in Article 13(b), Paragraph 3 of Act no. 87/1992.

Redenomination of agreements according to Paragraph 1 that were concluded in foreign currency with a non-resident insurance company prior to the effective date of these Rules dated 18 June 2014, by means of conversion to domestic currency, shall be exempt from the prohibition in Article 13(c) of Act no. 87/1992.

Insurance companies, cf. Paragraph 1, are authorised to purchase foreign currency from a financial undertaking in Iceland and export that foreign currency for payment of service charges deriving from premium payments according to Paragraph 1, upon receiving confirmation by the Central Bank of Iceland.

Requests for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of foreign currency according to Paragraph 3 shall be sent by the financial undertaking acting as an intermediary for the foreign exchange transactions and movement of capital. Requests for Central Bank confirmation according to Paragraph 3 shall be accompanied by documents showing how large a portion of the premium payments will be used for creation of principal, for payment of commissions, and for payment of non-life insurance premiums. The above may be demonstrated, *inter alia*, with contracts and calculations of service charges, as well as other data that the Central Bank may request and is necessary in order to demonstrate that the amounts concerned represent service charges. Requests for confirmation according to Paragraph 3, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland Capital Controls Surveillance Unit at the e-mail address ge.gagnaskil@sedlabanki.is.

Insurance companies, cf. Paragraph 1, are authorised to conduct transactions with financial instruments issued in domestic currency by residents and with real estate in Iceland, using the domestic currency they receive in Iceland from payment of premiums according to Paragraph 1.

On the second Friday of each month, insurance companies, cf. Paragraph 1, shall send the information specified in Items (a)-(d) below to the Central Bank of Iceland at the e-mail address ge.gagnaskil@sedlabanki.is.

- a. A summary of all agreements according to Paragraph 1 that have been concluded with resident individuals, itemised as follows:
 - i. Active contracts concluded prior to 28 November 2008.
 - ii. Inactive contracts concluded prior to 28 November 2008.
 - iii. Active contracts concluded after 28 November 2008.
 - iv. Inactive contracts concluded after 28 November 2008.
- b. A summary of all agreements according to Paragraph 1 for which payouts have begun.
- c. The itemisation according to Item (a) shall include the following information, presented in MS-Excel format:
 - i. Payer's name.
 - ii. Payer's national identification number.
 - iii. Date of first payment.

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- iv. Date of last payment.
 - v. Principal.
 - vi. Contractual payments.
 - vii. Type of agreement.
- d. The itemisation according to Item (b) shall include the following information, presented in MS-Excel format:
- i. Name of counterparty.
 - ii. Counterparty's national identification number.
 - iii. Principal before payment.
 - iv. Principal after payment.
 - v. Amount of payment.
 - vi. Type of agreement.

The term *active contract* as set forth in Paragraph 6, Item (a) refers to an agreement under which payment of premiums has taken place within 60 days prior to the date of the summary. The term *inactive contract* according to Paragraph 6, Item (a) refers to all agreements other than active contracts.

Funds released upon disbursement according to agreements pursuant to Paragraph 1 are exempt from the prohibition in Article 13(b), Paragraph 3 of Act no. 87/1992, and they shall be paid to a domestic-currency account in the rights holder's name with a financial institution in Iceland.

Article 6

Non-residents' sale of financial instruments issued in domestic currency

Cross-border movement of capital due to transactions with financial instruments issued in domestic currency, other than those instruments listed in Articles 2 and 3, where the seller is a non-resident and the buyer a resident are exempt from the prohibitions set forth in Article 13(b), Paragraph 3 of the Foreign Exchange Act, no. 87/1992, upon fulfilment of the following conditions:

1. That the instruments concerned are electronically registered securities, including unit shares in mutual and investment funds, issued in domestic currency;
2. That payment of the purchase price for the financial instruments took place by means of withdrawal from the purchaser's account with a financial undertaking in Iceland.
3. That the financial instruments are held in custody with a financial undertaking in Iceland.

Financial undertakings acting as intermediaries for transactions or settlement of transactions according to Paragraph 1 shall notify the Central Bank of the transactions within five business days after they have taken place, at the e-mail address ge.gagnaskil@sedlabanki.is.

The notification according to Paragraph 2 shall contain the following documents and information:

- a. Date of sale.
- b. Seller's name/title and national identification number.
- c. Seller's country/domicile.
- d. Identity number/Name of issue.
- e. ISIN number of issue.
- f. Nominal value.
- g. Sale value.
- h. Buyer's name/title, national identification number, and address.
- i. Name and national identification number of securities custodian.
- j. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for the transactions.
- k. Settlement receipt for the securities sale, confirmed by the financial undertaking concerned by means of employee signature and stamp.

The proceeds of sales of financial instruments according to Paragraph 1 shall be deposited to the seller's domestic currency account with a financial undertaking in Iceland.

Article 7

Non-residents' sale of real estate in Iceland

Cross-border movement of capital due to transactions with real estate in Iceland, where the seller is a non-resident and the buyer a resident, is exempt from the prohibition in Article 13(b), Paragraphs 1 and 3 of Act no. 87/1992, provided that payment of the purchase price in domestic currency took place by means of withdrawal from the buyer's account with a financial undertaking in Iceland.

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The proceeds of sales of real estate in Iceland according to Paragraph 1 shall be deposited to the seller's domestic currency account with a financial undertaking in Iceland.

CHAPTER II

Foreign exchange transactions and cross-border movement of foreign currency

Article 8

Living expenses

In the sense of the fourth sentence of Article 13(b), Paragraph 2 and the second sentence of Article 13(c), Paragraph 3, of Act no. 87/1992, the term *living expenses* applies to necessary and reasonable expenses incurred by an individual and his or her family, such as housing, food, clothing, medical care, and the like, that will demonstrably occur during the calendar year.

In considering an individual's purchase of foreign currency for living expenses in the current calendar year, and the capital movements related thereto, financial undertakings acting as intermediaries for the foreign exchange transactions and capital movement are authorised to consider the individual's expenses during the previous calendar year.

It is permissible to purchase foreign currency and export it for living expenses according to the fourth sentence of Article 13(b), Paragraph 2 and the second sentence of Article 13(c), Paragraph 3 of Act no. 87/1992 up to one month before the expenses are incurred.

Expenses incurred more than six months previously shall not be considered living expenses in the sense of the fourth sentence of Article 13(b), Paragraph 2 and the second sentence of Article 13(c), Paragraph 3 of Act no. 87/1992.

Article 9

Payments of principal on bonds issued in foreign currency

Article 13(j), Paragraph 5 of Act no. 87/1992 notwithstanding, payments of principal on bonds issued in foreign currency by residents to non-residents are exempt from the prohibitions contained in Article 13(c), Paragraphs 2 and 3 of Act no. 87/1992 when the following conditions are fulfilled:

1. The bond issue fulfils the requirements set forth in Article 13(e) of Act no. 87/1992 and the initial issue fulfilled the requirements set forth in Article 13(g) of the Act, or comparable provisions in the Rules on Foreign Exchange in effect from 28 November 2008 through 30 September 2011, and the bond issue took place before 28 November 2008; or
2. The Central Bank has granted an exemption for the issue of the bond according to Article 7, Paragraph 1 of Act no. 87/1992; cf. Article 13(o) of the Act.

Article 10

Interest on money market loans

The provisions of Article 13(j), Paragraph 2 of Act no. 87/1992 notwithstanding, foreign exchange transactions and movement of capital related to interest payments on money market loans in domestic currency, where the borrower is a domestic financial undertaking and the lender is a foreign financial undertaking, are exempt from Act no. 87/1992; cf. Article 13(b), Paragraph 2; Article 13(b), Paragraph 3, Subparagraph 1; and Article 13(c), Paragraph 3 of the Act.

The term *money market loan* according to Paragraph 1 refers to a short-term agreement for a loan granted in domestic currency by a foreign financial undertaking to a domestic financial undertaking for the purpose of liquidity management, providing for the deposit of the agreed amount to the domestic financial undertaking's account in Iceland on the initial payment date and the repayment of the same amount to the foreign financial undertaking on the maturity date, plus accrued interest, both of which were agreed upon at the outset.

Article 11

Insurance and supplemental pension insurance

Payment of premiums on the basis of an insurance contract that does not entail saving or accumulation of principal shall be considered the purchase of a service pursuant to Article 13(b), Paragraph 2 and Article 13(c), Paragraph 3 of Act no. 87/1992. The term *insurance* according to the

first sentence includes insurance under which the rights holder only expects insurance benefits if he or she sustains a loss that the insurance is intended to cover.

Payment of premiums on the basis of an agreement for regular periodic savings and savings plan insurance is not considered the purchase of a service according to Article 13(b), Paragraph 2 and Article 13(c), Paragraph 2 of Act no. 87/1992. The term *savings plan insurance* according to the first sentence includes life insurance products where the purpose of the contributions, either those made either as regular premiums or those made as a single premium, is the accumulation of principal, either in full or in part, and where the accumulated amount is available for disbursement as a single payment or as regular payments without the occurrence of an event that the insurance is intended to cover.

Payment of premiums on the basis of acquisition of third-party pension savings or pension rights on the basis of an agreement for supplemental insurance protection, cf. Chapter II of the Act on Mandatory Insurance of Pension Rights and on Activities of Pension Funds, no. 129/1997, is not considered the purchase of a service according to Article 13(b), Paragraph 2, and Article 13(c), Paragraph 2 of Act no. 87/1992.

The provisions of Paragraphs 2 and 3 notwithstanding, foreign exchange transactions and cross-border movement of capital for the portion of premiums used for the purchase of a service are permissible upon receipt of confirmation from the Central Bank.

Foreign exchange transactions and movement of capital for payment of premiums according to agreements for regular periodic savings in foreign currency that were concluded before 18 June 2014, the date these Rules took effect, up to the equivalent of GBP 550 redemption value, shall be exempt from the provisions contained in Article 13(b), Paragraph 2 and Article 13(c), Paragraph 2 of Act no. 87/1992.

Foreign exchange transactions and movement of capital for payment of premiums according to agreements for health and non-life insurance with accumulation rights that were concluded before 18 June 2014, the date these Rules took effect, shall be exempt from the provisions contained in Article 13(b), Paragraph 2 and Article 13(c), Paragraph 2 of Act no. 87/1992.

Requests for Central Bank of Iceland confirmation according to Paragraphs 4 and 6 shall be accompanied by copies of the agreements, calculations of premium payments, and other information confirming that the payments are in compliance with the provisions of Paragraphs 4 and 6. Requests for confirmation according to Paragraphs 4 and 6, together with the pertinent documentation, shall be sent in electronic form to the Central Bank of Iceland Capital Controls Surveillance Unit at the e-mail address ge.gagnaskil@sedlabanki.is.

CHAPTER III

Withdrawals of foreign currency

Article 12

Withdrawals of foreign currency for travel

A resident individual is considered to have his or her business at a financial undertaking in Iceland in the sense of Article 13(d), Paragraph 2 of Act no. 87/1992 if the business relationship between the individual and the financial undertaking concerned satisfies one of the following conditions:

1. The individual has a payroll account with the financial undertaking concerned, and funds have been deposited to the account in the past 90 days.
2. The individual has a payment card (credit or debit) issued by the financial undertaking concerned, and there are at least 20 transactions per month.
3. Over the past six months, there have been, on average, at least five withdrawals of cash per month from a savings account with the financial undertaking concerned.

Article 13

Gifts and grants

Financial undertakings acting as intermediaries for foreign exchange transactions and/or cross-border movement of capital related to gifts or grants according to Article 13(k), Paragraph 1 of Act no. 87/1992 shall request information on the reason for the gift or grant and the relationship between the donor and the recipient.

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The donor and grantor according to Article 13(k), Paragraph 1 of Act no. 87/1992 shall be the actual owners of the funds given as a gift or grant. If it is suspected that a gift or grant is financed by a third party, the financial undertaking acting as an intermediary for the foreign exchange transactions and/or movement of capital shall reject the request.

Movement of capital for gifts and grants according to Article 13(k), Paragraph 1 of Act no. 87/1992 shall be deposited to the account of the recipient, grantee, charitable organisation, or other such party. The donor and the recipient, or the grantor and the grantee, may not be one and the same party.

CHAPTER IV

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

Article 14

Real estate transactions due to change of residence

The term *real estate transaction* in the sense of Article 13(f), Paragraph 2 of Act no. 87/1992 refers to an individual's investment in real estate or purchase of residence rights abroad, which takes place within twelve months of the time the change of residence occurs.

Requests 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.

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

- a. Date of request for confirmation.
- b. Purchaser's name.
- c. Purchaser's national identification number.
- d. Purchaser's foreign address.
- e. Seller's name.
- f. Seller's national identification number or other registration number, if available.
- g. Seller's address.
- h. Name, e-mail address, and telephone number of contact person 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. Copy of real estate purchase agreement.
- j. 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 5 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 5 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 of the time the transactions take place.

Requests 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 25, which are published on the Bank's website.

Article 15

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.

Investment in motor vehicles for importation and personal use

Requests 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 documents:

- a. Date of request for confirmation.
- b. Purchaser's name.
- c. Purchaser's national identification number.
- d. Purchaser's address.
- e. Seller's name.
- f. Seller's national identification number or other registration number, if available.
- g. Seller's address.
- h. Name, e-mail address, and telephone number of contact person 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 of the Central Bank of Iceland, cf. Article 13(f), Paragraph 5 of Act no. 87/1992, is sent in electronic form to the buyer'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.

Requests 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 25, which are published on the Bank's website.

CHAPTER V

Interest, indexation, dividends, and contractual payments

Article 16

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 17

Interest and indexation of interest on bonds issued in domestic currency, loan agreements in domestic currency, money market loans pursuant to Article 10, 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 domestic currency (Glacier bonds);
2. Interest on any type of financial instrument issued by a non-resident;
3. Interest on domestic currency accounts with foreign financial undertakings.

Requests 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, bonds issued in domestic currency to non-residents, pursuant to Article 13(j), Paragraph 9 of Act no. 87/1992, and money market loans pursuant to Article 10 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.

Foreign exchange transactions and cross-border movement of capital deriving from payments pursuant to Paragraph 2, where the amount of the interest 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 5, however.

Requests for Central Bank confirmation pursuant to Paragraph 2 or notifications to the Central Bank pursuant to Paragraph 4 concerning foreign exchange transactions and cross-border movement of capital must be made within six months following 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 18

Contents of requests for confirmation pursuant to Article 17

The following information and documentation shall accompany requests for confirmation according to Article 17, Paragraph 2, as appropriate:

1. Interest and indexation of interest on bonds issued in domestic currency.
 - a. Date of 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. Investor's country/domicile.
 - 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 person 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. Date of 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. Lender's address.
 - o. Lender's country/domicile.
 - p. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - q. Loan agreement.
 - r. Remittance slip.
3. Money market loans
- a. Date of request for confirmation.
 - b. Name and national identification number of borrower.
 - c. Date of loan.
 - d. Length of money market loan.
 - e. Original amount of money market loan.
 - f. Interest rate.
 - g. Identification no. of agreement.
 - h. Amount of payment.
 - i. Interest amount.
 - j. Name and national identification number of lender.
 - k. Lender's address.
 - l. Lender's country/domicile.
 - m. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - n. Receipt for settlement of contract.
 - o. Agreement.
4. Interest and indexation of interest on deposits in domestic currency.
- a. Date of request for confirmation.
 - b. National identification number of financial undertaking.
 - c. IBAN number of 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. Investor's country/domicile.
- l. IBAN number of investor's account.
- m. Name, e-mail address, and telephone number of contact person 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.

Requests for confirmation pursuant to Article 17, 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 25, which are published on the Bank's website.

Requests for confirmation pursuant to Article 17, 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 25, which are published on the Bank's website.

Article 19

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.

Requests 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, however.

Requests 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 20

Contractual instalment payments

Requests for Central Bank of Iceland confirmation of foreign exchange transactions and cross-border movement of capital deriving from contractual payments of instalments of bonds issued in foreign currency pursuant to Article 9 and foreign-denominated loans, and pledges of investment in venture capital funds 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 1, 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.

Foreign exchange transactions and movement of capital according to Article 13(j) for payments of contractual instalments of bonds issued in foreign currency by resident entities, cf. Article 9, and foreign-denominated loan agreements are permissible for up to one month prior to the payment due date, upon receipt of confirmation from the Central Bank or upon notification according to Paragraphs 1 and 3.

Notifications according to Paragraph 3 or requests for confirmation according to Paragraph 1 shall be received by the Central Bank of Iceland within two weeks after the foreign exchange transactions and movement of capital took place.

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. Prior confirmation according to the first sentence shall be reported to the Central Bank of Iceland pursuant to Paragraph 5.

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 21

Contents of requests for confirmation or notifications according to Articles 19 and 20

The following information and documentation shall accompany requests for confirmation or notifications according to Articles 19 and 20, as appropriate:

1. Contractual instalments and/or interest on bonds:
 - a. Date of request for confirmation/notification.
 - 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. 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. Owner's address.
 - q. Owner's country/domicile.
 - r. IBAN number of investor's foreign currency account.
 - s. Name and national identification number of securities custodian.
 - t. Name, e-mail address, and telephone number of contact person 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. Date of request for confirmation/notification.
 - b. Name and national identification number of borrower.
 - c. Borrower's country/domicile.
 - d. Date of loan.
 - e. Maturity date.
 - f. Loan currency.
 - g. Original amount of loan.

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.

- 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. Lender's address.
 - q. Lender's country/domicile.
 - r. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - s. Loan agreement.
 - t. Remittance slip.
3. Contractual payments of pledges of investment in venture capital funds
- a. Date of request for confirmation/notification.
 - b. Name and national identification number of investor.
 - c. Investor's country/domicile.
 - d. Date of pledge.
 - e. Maturity date.
 - f. Currency of agreement.
 - g. Original amount of pledge.
 - h. Outstanding balance of pledge before payment.
 - i. Payment due date.
 - j. Amount called in.
 - k. Instalment of pledge.
 - l. Name of venture capital fund.
 - m. Country/Domicile of venture capital fund.
 - n. Name, e-mail address, and telephone number of contact person at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
 - o. Agreement.
 - p. Notification of call-in.
4. Interest on foreign-denominated deposits:
- a. Date of 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. Investor's country/domicile.
 - m. IBAN number of investor's account.
 - n. Name, e-mail address, and telephone number of contact person 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.

Requests for confirmation pursuant to Article 19, Paragraph 2, and Article 20, Paragraph 1, or notifications according to Article 19, Paragraph 3 and Article 20, Paragraph 3, 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 25, which are published on the Bank's website.

Article 22

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 19 and 20 that are remitted by parties meeting the conditions of Article 13(n), Paragraph 2, 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 19 and 20 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 23

Dividends

Requests 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.

Requests 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 24

Contents of requests for confirmation pursuant to Article 23

The following information and documentation shall accompany requests for confirmation or notifications according to Article 23, as appropriate:

- a. Date of 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. Shareholder's address.

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.

- q. Shareholder's country/domicile.
- 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 person at the financial undertaking acting as an intermediary for foreign exchange transactions and movement of capital.
- u. A receipt for the dividend payment if the payer is a company listed on an equity securities market, or a confirmation from the payer's chartered accountant if the payer is not listed on an equity securities market, plus the annual accounts for the preceding operational year.

Requests for confirmation pursuant to Article 23, Paragraph 1, or notifications according to Article 23, 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 25, which are published on the Bank's website.

CHAPTER VIII

Guidelines, sanctions, and entry into force

Article 25

Guidelines

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

Article 26

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 27

Entry into force

These Rules are set in accordance with the authority contained in Article 13(b), Paragraph 4; Article 13(c), Paragraph 5; 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. The Rules on Foreign Exchange, no. 300/2013, are hereby revoked.

Reykjavík, 18 June 2014

Central Bank of Iceland

Már Guðmundsson
Governor

Pétur Steinn Pétursson
Deputy Director, Capital Controls
Surveillance Unit