

RULES

on the treatment of króna-denominated assets subject to special restrictions

CHAPTER I

General provisions

Article 1

Objectives

The objective of these Rules is to contribute to consistent procedures and criteria for the implementation of Articles 5, 8, 11, and 12 and Temporary Provision I of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016.

CHAPTER II

Authorisations for withdrawals from accounts subject to special restrictions

Article 2

General authorisation for withdrawal of interest and indexation of interest

A notification shall be sent to the Central Bank of Iceland concerning the withdrawal, from accounts subject to special restrictions, of interest, indexation of interest, dividends, and contractual instalments of principal on loan obligations other than bullet bonds, and indexation on them, pursuant to Article 11 of Act no. 37/2016, by the financial undertaking acting as an intermediary for the withdrawal.

The notification and documentation provided for in Paragraph 1 shall be received in electronic form by the Central Bank of Iceland, according to Central Bank guidelines on the implementation of these Rules, within five business days of the date payment is made, and monthly summaries shall be received within five business days after the last day of the month to which the summary pertains. The notification requirement shall be as is further specified in the guidelines, which shall be published on the Central Bank website. A financial undertaking acting as an intermediary for movement of capital may, upon prior consultation with the Central Bank, fulfil the notification obligation pursuant to Paragraph 1 using an automated system.

Article 3

Individuals' authorisations for withdrawals

Requests for confirmation from the Central Bank of Iceland of the authorisation to withdraw funds from accounts subject to special restrictions pursuant to Article 12, Paragraph 1 of Act no. 37/2016 shall be submitted by the beneficial owner of the funds.

The following information and documentation shall accompany requests for confirmation:

- a. A statement showing the balance on the individual's bank account with a foreign financial undertaking, dated before 28 November 2008.
- b. A recent statement, dated no more than two weeks prior to the date of the application, showing the balance on the individual's account with a foreign financial undertaking.
- c. A statement of activity on the individual's account with a foreign financial undertaking from 28 November 2008 onwards, showing the activity on the individual's custodial account for securities and bank account.

Requests for confirmation from the Central Bank of Iceland of the authorisation to withdraw funds from accounts subject to special restrictions pursuant to Article 12, Paragraph 2 of Act no. 37/2016 shall be submitted by the beneficial owner or payer of the funds. The following information and documentation shall accompany requests for confirmation:

- a. Confirmation of escrow payment of the funds concerned.
- b. Documentation confirming the ownership of claims on the date the funds were paid into escrow and on 22 May 2016.

Confirmation requests and documentation according to Article 12, Paragraph 1 or Article 12, Paragraph 2 shall be sent in electronic form to the Central Bank of Iceland at the e-mail address ge.offshore@sedlabanki.is. The Central Bank decides in what form the request for confirmation shall be submitted.

Article 4

Authorisations for withdrawals according to the Temporary Provision

Requests for Central Bank of Iceland confirmation of the authorisation to withdraw funds from accounts subject to special restrictions or of the removal of encumbrances pursuant to Temporary Provision I, Paragraph 1, Item 2 of Act no. 37/2016 shall be sent by the owner or custodian of the offshore króna assets. The following information [and documentation] shall accompany requests for confirmation:

- a. A statement, dated before 28 November 2008, from an account with a foreign financial undertaking, or other documentation demonstrating ownership of the offshore króna assets prior to 28 November 2008.
- b. Recent statements from a financial undertaking, dated no more than four weeks prior to the date of the application, showing account balances.

Requests for Central Bank of Iceland confirmation of an individual's authorisation to withdraw funds from accounts subject to special restrictions or to redeem certificates of deposit pursuant to Temporary Provision I, Paragraph 1, Item 3 of Act no. 37/2016 shall be sent by the individual or the individual's agent; for instance, the custodian of the offshore króna assets. The following information [and documentation] shall accompany requests for confirmation:

- a. Recent statements from a financial undertaking, dated no more than four weeks prior to the date of the application, showing account balances.
- b. A statement declaring that the individual is the beneficial owner of the offshore króna assets.
- c. A valid letter of authorisation empowering the individual's agent, if applicable.

Confirmation requests and documentation according to Paragraph 1 or Paragraph 2 shall be sent by e-mail to the Central Bank of Iceland at the e-mail address ge.offshore@sedlabanki.is. The Central Bank decides in what form the request for confirmation shall be submitted.

CHAPTER III

Article 5

Assumption by the Central Bank of Iceland of the rights and obligations of an 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 assumes 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.

The Central Bank of Iceland is not considered the owner of electronically registered securities in administrative accounts. Administrative accounts do not confer voting rights at shareholders' meetings.

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 8 of these Rules, at least seven business days prior to the transfer.

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.

Article 7

Custodian's due diligence statement

Upon transferring the electronically registered securities pursuant to Article 5, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, 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.

If a custodian relies on information from a third party, cf. the authorisation in Article 16 of the Act on Measures to Prevent Money Laundering and Terrorist Financing, it is sufficient that the custodian provide the Bank with a statement to this effect, which shall take the place of the statement provided for in Paragraph 1.

Article 8

Communications with the Central Bank

Custodians are authorised to provide instructions on transfers or other disposals of offshore króna assets that are authorised 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.

Article 9

Information disclosure concerning the balance on the administrative account

The Central Bank shall send the custodian a summary of the balance of the administrative account on those days when financial undertakings and securities depositories are open in Iceland (banking days).

Queries about administrative accounts shall be sent to the Finance Department of the Central Bank of Iceland at the e-mail address bakvinnsla@sedlabanki.is, or to 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.

Article 10

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.

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 Paragraph 1 or 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.

Article 11

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.

Article 12

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 13

Implementation of custodianship of administrative accounts

The Central Bank of Iceland will receive payments from individual issuers of electronically registered securities on behalf of custodians, including dividend payments, if the custodian so requests.

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.

The Central Bank of Iceland holds electronically registered securities in administrative accounts separate from its own assets. The same applies to payments in connection with such securities according to Paragraph 1.

Article 14

Information disclosure concerning reserve requirements

Deposit undertakings that satisfy reserve requirements pursuant to Article 8 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, shall notify the Central Bank of Iceland of the total balance of deposits that shall be invested in Central Bank of Iceland certificates of deposit pursuant to Article 8, Paragraph 2 of the same Act. The information shall be provided when the total balance of deposits changes and on the last banking day of each week. The Central Bank shall determine in what form this information shall be provided.

CHAPTER IV

Ministerial approval and entry into effect

Article 15

Ministerial approval

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

Article 16

Entry into effect

These Rules, which are set based on the authorisation in Article 25, Paragraph 2 and Temporary Provision I, Paragraph 3 of Act no. 37/2016, shall take effect immediately. The Rules on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 425/2016, shall cease to apply.

Reykjavík, 5 March 2019
Central Bank of Iceland

Már Guðmundsson
Governor

Andri Egilsson
Deputy Director, Capital Controls
Surveillance Unit

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.

Attachment

Ministerial approval

With reference to the second sentence of Article 25, Paragraph 2 and Temporary Provision I, Paragraph 3 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 Rules on the Treatment of Króna-Denominated Assets Subject to Special Restrictions.

Ministry of Finance and Economic Affairs, 5 March 2019

Bjarni Benediktsson

Guðrún Þorleifsdóttir