

ACT

on Payment Services

Entered into force on 1 November 2021. *EEA Agreement: Annex IX. Directive (EU) 2015/2366.*

Any mention in this Act of a Minister or Ministry, without specifying or referring to the function, refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the functions of Ministries as provided for by a Presidential Ruling is available [here](#).

CHAPTER I

Scope and definitions

Art. 1

Scope

This Act shall apply to payment services provided in Iceland.

Chapters IV to VII apply to payment transactions in the currency of a Member State where both the payer's payment service provider and the payee's payment service provider are, or the sole payment service provider in the payment transaction is, located within a Member State.

Chapter IV, except for point (b) of the first paragraph of Article 50, point (2)(e) of Article 54 and point (a) of Article 58, and Chapters V to VII, except for Articles 87 to 90, apply to payment transactions within the European Economic Area in a currency that is not the currency of a Member State where both the payer's payment service provider and the payee's payment service provider are, or the sole payment service provider in the payment transaction is, located within a Member State.

Chapter IV, except for point (b) of the first paragraph of Article 50, point (2)(e) of Article 54, point (5)(g) of Article 54, and point (a) of Article 58, and Chapters V to VII, except for the third and fourth paragraphs of Article 64, Article 82, Article 83, the first paragraph of Article 88, Article 93 and Article 96, apply to payments made in all currencies in which one of the payment service providers is located in a Member State if the payment transactions are made within the European Economic Area.

Irrespective of the fourth paragraph, Articles 88 to 91 shall only apply to the following payments:

- a. payment transactions in EUR;
- b. payment transactions in ISK within Iceland;
- c. payment transactions involving only one currency conversion between EUR and ISK, provided that the currency conversion takes place in Iceland and, in the case of cross-border payments, that they are made in EUR;
- d. other payment transactions within the Member States, unless otherwise agreed; this shall not, however, apply to Article 91 which is mandatory.

Art. 2
Limitation of scope

This Act shall not apply to:

1. Payment transactions made exclusively in cash directly from the payer to the payee, without any intermediary intervention.
2. Payment transactions from the payer to the payee through a commercial agent authorised via an agreement to negotiate or conclude the sale or purchase of goods or services on behalf of only the payer or only the payee.
3. Professional physical transport of banknotes and coins, including their collection, processing and delivery.
4. Payment transactions consisting of the non-professional cash collection and delivery within the framework of a non-profit or charitable activity.
5. Services where cash is provided by the payee to the payer, following an explicit request by the payer just before the execution of the payment transaction, for the purchase of goods or services.
6. Cash-to-cash currency exchange operations where the funds are not held on a payment account.
7. Payment transactions based on paper cheques, travellers' cheques, bills of exchange, vouchers or postal money orders.
8. Payment transactions carried out within a payment or securities settlement system between settlement agents, central counterparties, clearing houses and/or central banks and other participants of the system, and payment service providers, without prejudice to Article 36.
9. Payment transactions related to securities asset servicing, including dividends and other distributions, such as from redemption or sale, carried out by persons referred to in Point 8 or by financial undertakings, authorised to trade and provide services in financial instruments pursuant to the Act on Securities Transactions, or by undertakings for the collective investment in transferable securities (UCITS) and alternative investment funds (AIFs).
10. Support services for payment services provided by technical service providers, without them entering at any time into possession of the funds to be transferred, including processing and storage of data, trust and privacy protection services, data and entity authentication, information technology (IT) and communication network provision, provision and maintenance of terminals and devices used for payment services, with the exclusion of payment initiation services and account information services.
11. Payment instruments allowing the holder to acquire goods or services only in the premises of the issuer or within a network of service providers under direct commercial agreement with the issuer of the payment instrument, without prejudice to the second paragraph of Article 38.
12. Payment instruments which can be used only to acquire a limited range of goods or services, without prejudice to the second and third paragraphs of Article 38.
13. Payment instruments valid only in a single Member State provided at the request of an undertaking or a public sector entity and regulated by a national or regional public authority for specific social or tax purposes to acquire specific goods or services from suppliers having a commercial agreement with the issuer.
14. Payment transactions by a provider of electronic communications networks or services provided in addition to electronic communications services for a subscriber to the network or service:
 - a. for purchase of digital content and voice-based services, regardless of the device used for the purchase or consumption of the digital content and charged to the subscriber's bill or
 - b. from or via an electronic device and charged to the subscriber's bill within the framework of a charitable activity or for the purchase of tickets and
 - c. provided that the value of any single payment transaction referred to in points (1) and (2) does not exceed the equivalent of EUR 50 in ISK and that the cumulative value of payment transactions for an individual subscriber does not exceed the equivalent of EUR 300 in ISK per month, or, where a subscriber pre-funds its account with the provider of the electronic communications network or service, the cumulative value

of payment transactions does not exceed the equivalent of EUR 300 in ISK per month. The conversion to ISK shall be based on the official reference rate (central rate) as listed at any given time.

15. Payment transactions carried out between payment service providers, their agents or branches for their own account.
16. Payment transactions and related services between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking via a payment service provider belonging to the same group.
17. Cash withdrawal services offered by means of ATM by ATM operators, acting on behalf of one or more card issuers, which are not a party to the framework contract with the customer withdrawing money from a payment account using the ATM, on condition that those operators do not conduct other payment services as referred to in Article 3(22). Nevertheless, the customer shall be provided with the information on any withdrawal charges referred to in Articles 45, 49, 51 and 52 before carrying out the withdrawal as well as on receipt of the cash at the end of the transaction after withdrawal.

Art. 3

Definitions

For the purposes of this Act, the following definitions apply:

1. *Member State*: A state which is party to the Agreement on a European Economic Area.
2. *Direct debit*: A payment service for debiting a payer's payment account, where a debit transaction is initiated by the payee on the basis of the consent given by the payer to the payee, to the payee's payment service provider or to the payer's own payment service provider.
3. *Own funds*: Funds as defined in the first paragraph of Article 84 of Act No 161/2002 on Financial Undertakings where at least 75 % of the Tier 1 capital is in the form of Common Equity Tier 1 capital as referred to in Article 84 a of that Act and Tier 2 is equal to or less than one third of Tier 1 capital.
4. *Remote payment transaction*: A payment transaction executed via internet or through a device that can be used for distance communication.
5. *Means of distance communication*: A method which, without the simultaneous physical presence of the payment service provider and the payment service user, may be used for the conclusion of a payment services contract.
6. *Electronic communications networks*: An electronic communications network as defined in the Electronic Communications Act.
7. *Electronic communications services*: Electronic communications services as defined in the Electronic Communications Act.
8. *Funds*: Banknotes and coins, scriptural money and electronic money, as defined in Article 4(5) of Act No 17/2013 on the Issuance and Handling of Electronic Money.
9. *Acquiring of payment transactions*: A payment service provided by a payment service provider contracting with a payee to accept and process payment transactions, which results in a transfer of funds to the payee.
10. *Value date*: A reference time used by a payment service provider for the calculation of interest on the funds debited from or credited to a payment account.
11. *Host Member State*: The Member State other than the home Member State in which a payment service provider has an agent and/or a branch and provides payment services.
12. *Payer*: A natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who gives a payment order.
13. *Payment transaction*: An act, initiated by the payer or on the payer's behalf or by the payee on behalf of the payer, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee.
14. *Payment order*: An instruction by a payer or payee to its payment service provider requesting the execution of a payment transaction.

15. *Payment system*: A funds transfer system with formal and standardised arrangements and common rules for the processing, clearing and/or settlement of payment transactions.
16. *Payment instrument*: A personalised device and/or set of procedures agreed between the payment service user and the payment service provider and used in order to initiate a payment order.
17. *Payment account*: An account held in the name of one or more payment service users which is used for the execution of payment transactions.
18. *Payment institution*: A legal entity that has been granted authorisation in accordance with this Act to operate payment services in Iceland or in another state of the European Economic Area.
19. *Payment initiation service provider*: A payment service provider engaged in payment initiation services according to point (22)(g).
20. *Payment initiation service*: A service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider.
21. *Payment brand*: Any material or digital name, term, sign, symbol or combination of them, capable of denoting under which payment card scheme card-based payment transactions are carried out.
22. *Payment services*:
 - a. Services enabling cash to be deposited to a payment account as well as all the operations required for operating a payment account.
 - b. Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account.
 - c. Execution of payment transactions, including transfers of funds into and out of a payment account with the user's payment service provider or with another payment service provider:
 1. execution of direct debits, including one-off direct debits;
 2. execution of payment transactions through a payment card or a similar device;
 3. execution of credit transfers, including standing orders.
 - d. Execution of payment transactions where the funds are covered by a credit line for a payment service user:
 1. execution of direct debits, including one-off direct debits;
 2. execution of payment transactions through a payment card or a similar device;
 3. execution of credit transfers, including standing orders.
 - e. Issuing of payment instruments and/or acquiring of payment transactions.
 - f. Money remittance.
 - g. Payment initiation services.
 - h. Account information services.
23. *Payment service provider*:
 - a. Financial undertakings licensed to accept deposits or other repayable funds from the general public and to grant loans on own account, including branches thereof within the meaning of point (12) of Article 1 a of Act No 161/2002 on Financial Undertakings, where such branches are located in the European Economic Area, whether the head offices of those branches are located within or outside the European Economic Area in accordance with Article 47 of Directive 2013/36/EU and with national law.
 - b. Electronic money institutions in line with Act No 17/2013 on the Issuance and Handling of Electronic Money, including, in accordance with Article 34 of that Act, branches thereof, where such branches are located within the European Economic Area and their head offices are located outside the European Economic Area, in as far as the payment services provided by those branches are linked to the issuance of electronic money.
 - c. Post office giro institutions which are entitled under national law to provide payment services.

- d. Payment institutions.
 - e. The European Central Bank and national central banks in the European Economic Area when not acting in their capacity as a public monetary authority.
 - f. Public authorities if the payment services are not connected to their role as such.
 - g. Payment institutions with limited authorisation.
 - h. A legal or natural person benefiting from an exemption pursuant to Article 35.
24. *Account servicing payment service provider*: A payment service provider providing and maintaining a payment account for a payer.
 25. *Home Member State*: Either the Member State in which the registered office of the payment service provider is situated or, if the payment service provider has no registered office, the Member State in which its head office is situated.
 26. *Co-badging*: The inclusion of two or more payment brands or payment applications of the same payment brand on the same payment instrument.
 27. *Credit transfer*: A payment service for crediting a payee's payment account with a payment transaction or a series of payment transactions from a payer's payment account by the payment service provider which holds the payer's payment account, based on an instruction given by the payer;
 28. *Consumer*: Natural persons who, in payment service contracts, are acting for purposes other than their profession or business.
 29. *Payment service user*: A natural or legal person making use of a payment service in the capacity of payer, payee, or both.
 30. *Money remittance*: A payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee.
 31. *Personalised security credentials*: Personalised features provided by the payment service provider to a payment service user for the purposes of authentication.
 32. *Framework contract*: A payment service contract which governs the future execution of individual and successive payment transactions, and which may contain the obligation and conditions for setting up a payment account.
 33. *Account information services*: An online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider.
 34. *Account information service provider*: A payment service provider engaged in account information services according to point (22)(h).
 35. *Group*: A group as defined in Article 2(33) of Act No 3/2006 on Annual Accounts or undertakings as defined in Articles 4 to 7 of Commission Delegated Regulation (EU) No 241/2014, which are linked to each other by a relationship referred to in Article 10(1) or in Article 113(6) or (7) of Regulation (EU) No 575/2013 of the European Parliament and of the Council, implemented by Regulation No 233/2017 on Prudential Requirements for Financial Undertakings.
 36. *Authentication*: A procedure which allows the payment service provider to verify the identity of a payment service user or the validity of the use of a specific payment instrument, including the use of the user's personalised security credentials.
 37. *Unique identifier*: A combination of letters, numbers or symbols specified to the payment service user by the payment service provider and to be provided by the payment service user to identify unambiguously another payment service user and/or the payment account number of that other payment service user for a payment transaction.
 38. *Low-value payment instrument*: A payment instrument which, according to the relevant framework contract, concerns only individual payment transactions that do not exceed the equivalent of EUR 30 in ISK or that either has a spending limit equivalent to EUR 150 in ISK or stores funds that do not exceed the equivalent of EUR 150 in ISK at any time. The conversion to ISK shall be based on the official reference rate (central rate) as listed at any given time.

39. *Digital content*: Goods or services which are supplied in digital form, the use or consumption of which is restricted to a technical device, and which do not include in any way the use or consumption of physical goods or services.
40. *Strong customer authentication*: An authentication based on the use of two or more elements categorised as knowledge, i.e. something only the user knows, possession, i.e. something only the user possesses, and inherence, i.e. something the user is. The elements shall be independent of each other so that the breach of one does not compromise the reliability of the others. The authentication is designed in such a way as to protect the confidentiality of the authentication data.
41. *Agent*: A natural or legal person who acts on behalf of a payment institution in providing payment services.
42. *Issuing of payment instruments*: A payment service under a contract to provide a payer with a payment instrument to initiate and process payment transactions.
43. *Issuer of a card-based payment instrument*: A payment service provider issuing card-based payment instruments used to initiate a payment transaction from a payment account with a payment service provider of a user with an account servicing payment service provider.
44. *Branch*: A place of business other than the head office which is a part of a payment institution, which has no legal personality, and which carries out directly some or all of the payment transactions inherent in the business of a payment institution. All of the places of business in the same Member State of the European Economic Area shall be regarded as a single branch if set up by a payment institution with a head office in another Member State.
45. *Durable medium*: Any instrument which enables the payment service user to store information addressed personally to that payment service user in a way accessible for future reference for a period of time adequate to the purposes of the information and which allows the unchanged reproduction of the information stored.
46. *Sensitive payment data*: Data, including personalised security credentials, which can be used to carry out fraud. For the activities of payment initiation service providers and account information service providers, the name of the account owner and the account number do not constitute sensitive payment data.
47. *Reference exchange rate*: The exchange rate which is used as a basis to calculate any currency exchange and is available from the payment service provider or publicly.
48. *Reference interest rate*: The interest rate which is used as the basis for calculating interest and which comes from a publicly available source which can be verified by both parties to a payment service contract.
49. *Business day*: A day when the payment service provider of the payer or of the payee involved in the payment transaction is open for business as required for the execution of a payment transaction.
50. *Payee*: A natural or legal person who is the intended recipient of funds which have been the subject of a payment transaction.

CHAPTER II Payment institutions

A. Application

Art. 4

Application for authorisation

Applications for authorisation shall be submitted to the Financial Supervisory Authority. They shall be made in writing and in detail to enable the Financial Supervisory Authority to ascertain compliance with the requirements of Articles 6 to 8, 11, 12 and 16 to 19. The following shall be included in the application:

1. Documentation confirming that the applicant is a legal person and that the head office and at least part of the payment service activities are carried out in Iceland, see Article 6.
2. A description of the applicants' current and proposed activities setting out the type of payment services that they intend to provide and whether they intend to engage in other activities, see Article 16.

3. A business and operational plan for at least the first 3 years of business which demonstrates that the applicants can operate soundly, along with the last audited financial statements, if available.
4. A description of the applicants' structural organisation, including whether they intend to provide services, open branches or use agents in their activities, see Article 17, whether there are any outsourcing arrangements, see Article 18, or whether they will participate in a national or international payment system.
5. Information on whether it is envisaged to provide cross-border services with or without the establishment of a branch or through an agent, see Articles 23 to 26.
6. Evidence that the applicants hold initial capital as required under Article 7.
7. Information enabling the assessment of the compliance of the board of directors and managers with the eligibility requirements under Article 11.
8. Information on persons holding in the applicant, directly or indirectly, qualifying holdings within the meaning of Chapter VI of Act No 161/2002 on Financial Undertakings, the size of their holdings and evidence of their suitability taking into account the need to ensure the sound and prudent management of a payment institution, see Article 5.
9. A description of the measures taken for safeguarding funds in line with Article 10.
10. A description of the procedure in place to monitor, handle and follow up an operational or security incident and security related customer complaints, including the reporting mechanism for incidents that payment institutions are obliged to report to the Financial Supervisory Authority under Article 100.
11. A description of the applicants' management structure and internal organisation, including internal control mechanisms, administrative procedures, risk management and accounting, which demonstrates that those governance arrangements, control mechanisms and procedures are appropriate to the scope of the activity and that they are sound and adequate.
12. A description of the internal control system that will be put in place to comply with the requirements of the Act on Measures against Money Laundering and Terrorist Financing, as regards applicants subject to that Act.
13. A description of the process in place to file, monitor, track and restrict access to sensitive payment data and how the conditions of Article 21 will be fulfilled.
14. A description of business continuity arrangements including a clear identification of the critical operations, effective contingency plans and a procedure to regularly test and review the adequacy and efficiency of such plans.
15. A description of the principles and definitions applied for the collection of statistical data on performance, transactions and fraud.
16. A security policy and a description of the applicant's security system, including a detailed risk assessment in relation to its payment services and a description of control measures taken to adequately protect payment service users against the risks identified, including fraud and illegal use of sensitive and personal data. In particular, it should indicate how the control measures ensure a high level of technical security and data protection, including for the software and IT systems used by the applicant or the undertakings to which it outsources the whole or part of its operations. The control measures shall also include the security measures laid down in Article 99.
17. Information on the statutory auditor, see Article 15.
18. Confirmation that the applicants for authorisation as a payment initiation service provider or account information service provider have insurance in accordance with the third paragraph of Article 12.
19. Other matters that the Financial Supervisory Authority considers necessary for the application according to information provided on the website of the Central Bank of Iceland.

The information referred to in points (5) and (10) to (13) of the first paragraph shall also include a description of the arrangements implemented by the applicant to take all such measures as are deemed viable to protect the interests of the users of its payment services and to ensure the continuity and reliability of the performance of the services.

A payment institution authorised under Article 12 must notify the Financial Supervisory Authority without delay of any changes to information previously provided in accordance with the first paragraph in connection with an application for authorisation.

B. Qualifying holding, establishment and financial basis

Art. 5

Qualifying holding

Any person who intends to acquire, alone or in partnership with others, a qualifying holding in a payment institution within the meaning of the Act on Financial Undertakings shall notify the Financial Supervisory Authority of their intention in advance. The same applies if a person intends, alone or in partnership with others, to increase their shareholding so that the qualifying holding will exceed 20 %, 30 % or 50 %, or become so large that the payment institution would be considered its subsidiary.

The first paragraph shall also apply to owners of a qualifying holding who intends to reduce their proportional share or initial capital or voting rights so that they will not own a qualifying holding. The notification shall indicate how large the holding will become. Notification shall also be given if the holding falls below 20%, 30% or 50 %, or so much that the payment institution ceases to be a subsidiary of the person in question. The same applies if the proportional share or voting rights are eroded as a result of a capital increase.

Act No 161/2002 on Financial Undertakings applies to the handling of qualifying holdings in payment institutions and the eligibility assessment of the owner of a qualifying holding as appropriate.

The Financial Supervisory Authority shall make publicly available a list specifying the information required in a notification.

Art. 6

Legal form and head office

Persons, other than those referred to in points (a) to (c) and (e) to (g) of Article 3(23) and Article 35, who intend to provide payment services, must obtain authorisation as a payment institution before commencing the provision of payment services.

A payment institution authorised under Article 12 shall be a legal person, with its head office in Iceland and at least part of the payment service activity must be carried out in Iceland.

Art. 7

Initial capital

The initial capital of a payment institution shall at all times reflect the payment services referred to in Article 3(22) provided by the payment institution.

The initial capital of a payment institution shall not at any time be less than:

- a. the equivalent of EUR 20 000 in ISK where the payment institution provides only the payment service as referred to in Article 3(22)(f);
- b. the equivalent of EUR 50 000 in ISK where the payment institution provides the payment service as referred to in Article 3(22)(g);
- c. the equivalent of EUR 125 000 in ISK where the payment institution provides the payment service as referred to in Article 3(22)(a) to (e).

The conversion to ISK shall be based on the official reference rate (central rate) as listed at any given time.

The initial capital of a payment institution shall be comprised of the items referred to in the first paragraph of Article 84 of Act No 161/2002 on Financial Undertakings.

Art. 8

Own funds

The payment institution's own funds may not at any time fall below the amount provided for in Articles 7 or 9, whichever is the higher.

A payment institution which belongs to a group including another payment institution, financial undertaking, alternative investment fund manager or insurance company may only include asset items once as own funds. The same shall apply if a payment institution pursues activities other than providing payment services as referred to in Article 3(22).

If the requirements of Article 7 of Regulation (EU) No 575/2013 of the European Parliament and of the Council are met, a payment institution may be exempted from the calculation of own funds under Article 9 if it is subject to supervision on a consolidated basis with a parent company under the Act on Financial Undertakings.

Art. 9

Calculation of own funds.

The own funds of a payment institution shall always be calculated in accordance with one of the three methods described in the second to fourth paragraphs as determined by the Financial Supervisory Authority. This does not, however, apply to a payment institution which only provides payment services pursuant to points (g) and/or (h) of Article 3(22).

Method A: The payment institution's own funds shall amount to at least 10 % of its fixed overheads of the preceding 12 months. The Financial Supervisory Authority may adjust this decision in the event of a material change in a payment institution's business compared to the previous year. Where a payment institution has not completed a full year's business when the own funds are calculated, the requirement shall be that its own funds amount to at least 10 % of the corresponding fixed overheads as projected in its business plan, unless an adjustment to that plan is required by the Financial Supervisory Authority.

Method B: The payment institution's own funds shall amount to at least the sum of the following elements multiplied by the scaling factor k , as defined in the fifth paragraph, where payment volume (PV) represents $\frac{1}{12}$ of the total amount of payment transactions executed by the payment institution in the preceding 12 months:

- a. 4,0 % of the slice of PV up to the equivalent of EUR 5 million in ISK;
- b. 2,5 % of the slice of PV equivalent to EUR 5 million and up to the equivalent of EUR 10 million in ISK;
- c. 1 % of the slice of PV equivalent to EUR 10 million and up to the equivalent of EUR 100 million in ISK;
- d. 0,5 % of the slice of PV equivalent to EUR 100 million and up to the equivalent of EUR 250 million in ISK; and
- e. 0,25 % of the slice of PV above the equivalent of EUR 250 million in ISK.

The conversion to ISK shall be based on the official reference rate (central rate) as listed at any given time.

Method C: The payment institution's own funds shall amount to at least the relevant indicator defined in points (1) and (2), multiplied by the multiplication factor defined in point (3) and by the scaling factor k defined in the fifth paragraph.

1. The relevant indicator is the sum of the following:
 - a. interest income;
 - b. interest expenses;
 - c. commissions and fees received; and
 - d. other operating income.
2. Each element shall be included in the sum with its positive or negative sign. Extraordinary income shall not be used in the calculation of the relevant indicator. Expenditure on the outsourcing of services rendered by third parties may reduce the relevant indicator if the expenditure is incurred from a supervised entity under this Act. The relevant indicator is calculated on the basis of the previous financial year. The relevant indicator shall be calculated over the previous financial year. Nevertheless, own funds calculated according to Method C shall not fall below 80 % of the average of the previous 3 financial years for the relevant indicator. When audited figures are not available, the payment institution's own estimates may be used.
3. The multiplication factor shall be:
 - a. 10 % of the slice of the relevant indicator up to the equivalent of EUR 2,5 million in ISK;
 - b. 8 % of the slice of the relevant indicator from the equivalent of EUR 2,5 million up to the equivalent of EUR 5 million in ISK;

- c. 6 % of the slice of the relevant indicator from the equivalent of EUR 5 million up to the equivalent of EUR 25 million in ISK;
- d. 3 % of the slice of the relevant indicator from the equivalent of EUR 25 million up to the equivalent of EUR 50 million in ISK;
- e. 1,5 % of the slice of the relevant indicator above the equivalent of EUR 50 million in ISK.

The conversion to ISK shall be based on the official reference rate (central rate) as listed at any given time.

The scaling factor k to be used in Methods B and C, see the third and fourth paragraphs, shall be:

- a. 0,5 where the payment institution provides only the payment service as referred to in Article 3(22)(f);
- b. 1 where the payment institution provides any of the payment services as referred to in points (a) to (e) of Article 3(22).

The Financial Supervisory Authority may, based on an evaluation of the risk-management processes, risk loss data base and internal control mechanisms of the payment institution, require the payment institution to hold an amount of own funds which is up to 20 % higher than the amount which would result from the application of the method chosen in line with the first paragraph. On the same basis, the Financial Supervisory Authority may permit the payment institution to hold an amount of own funds which is up to 20 % lower than the amount which would result from the application of the method chosen in line with the first paragraph.

C. Safeguarding of funds

Art. 10

Safeguarding of funds

A payment institution which provides payment services as referred to in points (a) to (f) of Article 3(22), shall safeguard all funds which have been received from the payment service users or through another payment service provider for the execution of payment transactions and the funds shall be kept separate from the own funds of the payment institution and funds held by any natural or legal person other than the payment service users. Funds are considered to be safeguarded if they are held in a deposit account with a financial undertaking or if invested in safe, marketable and low-risk assets.

Funds as referred to in the first paragraph shall be considered proprietary claims in the estate of the payment service provider in the event of insolvency. They shall be ranked in priority with reference to Article 109 of Act No 21/1991 on Bankruptcy etc., provided the owner of the funds proves its entitlement to them.

The Central Bank of Iceland lays down detailed rules on the safeguarding of funds as provided for in this Article.

D. Suitability

Art. 11

Suitability criteria for the board of directors and managing director

The suitability of the board of directors and managing director is subject to Articles 52 and 52 a of Act No 161/2002 on Financial Undertakings, where applicable, and rules adopted on their basis.

A payment institution must notify the Financial Supervisory Authority of the composition of and subsequent changes to the institution's board of directors and management, see the third paragraph of Article 4, and such notifications must be accompanied by adequate information to enable an assessment as to whether the requirements of the first paragraph are satisfied.

E. Authorisation

Art. 12

Condition and notification of the granting or refusal of authorisation

Authorisation shall be granted, or the registration shall be confirmed in the case of account information service providers, see Article 35, if the applicant, in the assessment of the Financial Supervisory Authority, fulfils with its application and accompanying documentation the requirements

of Article 4 and demonstrates a clear organisational structure for its payment services business, satisfactory procedures to ensure sound and prudent operations and adequate internal control mechanisms for its methods of governance, risk management arrangements and accounting procedures. The Central Bank of Iceland may adopt detailed rules on the subject matter of the first sentence. The rules shall take Article 17 of Act No 161/2002 on Financial Undertakings into account, as applicable.

The requirements imposed on the applicant pursuant to the first paragraph shall be commensurate with the nature and scope of the proposed payment services and the applicant must at all times conform to these requirements by structuring the organisation, procedures etc., as referred to in the first paragraph, in line with the scope of the services.

An applicant applying for authorisation to offer payment initiation services pursuant to Article 3(22)(g) shall hold a professional indemnity insurance, covering the territories in which the applicant intends to offer payment services, or some other comparable insurance to ensure the applicant can cover its liabilities as specified in Articles 79, 93, 94 and 96.

An applicant for registration confirmation as an account information service pursuant to Article 3(22)(h) shall hold professional indemnity insurance covering the territories in which it intends to offer services, or some other comparable guarantee against their liability vis-à-vis the account servicing payment service provider or the payment service user resulting from non-authorised or fraudulent access to or non-authorised or fraudulent use of payment account information.

In assessing an application for authorisation, the Financial Supervisory Authority may seek the advice of other appropriate public authorities.

The Financial Supervisory Authority may require the establishment of a separate entity for the payment services business, as referred to in Article 3(22), where a payment institution is engaged in other business activities, at the same time, and where those services activities impair or are likely to impair either the financial soundness of the payment institution or the ability to monitor the payment institution's compliance.

The Financial Supervisory Authority shall refuse to grant an authorisation if, taking into account the sound and prudent management of a payment institution, it is not satisfied as to the suitability of the shareholders or owners of qualifying holdings.

An authorisation shall not be granted if close links between the payment institution and other natural or legal persons impede supervision of its activities by the Financial Supervisory Authority. The same applies if Acts or Regulations which apply to such persons with close links impede supervision. For the purpose of this Act, close links shall mean close links as defined in the Act on Financial Undertakings. Furthermore, the authorisation shall not be granted if the laws, regulations or administrative provisions of a third country governing one or more natural or legal persons with which the payment institution has close links, or difficulties involved in their enforcement, prevent the Financial Supervisory Authority from carrying out its supervisory functions.

The Financial Supervisory Authority will grant an authorisation where, in the assessment of the Authority, an application for an authorisation satisfies the requirements of this Act. The authorisation shall be valid in all Member States of the European Economic Area and shall allow the payment institution concerned to provide the payment services that are covered by the authorisation throughout the European Economic Area, if the conditions of Articles 23 to 25 are met. Otherwise, the Financial Supervisory Authority shall give duly motivated reasons where it refuses an authorisation.

Within 3 months of receipt of a satisfactory application, the Financial Supervisory Authority shall inform the applicant of its decision whether the authorisation is granted or refused.

Art. 13

Withdrawal of authorisation

The Financial Supervisory Authority may withdraw an authorisation issued to a payment institution in full or in part if:

- a. the payment institution does not make use of the authorisation within 12 months, expressly renounces the authorisation or has ceased to engage in business for more than 6 consecutive months;
- b. the authorisation has been obtained through false statements or any other irregular means;

- c. the payment institution no longer meets the conditions for granting the authorisation or fails to inform the Financial Supervisory Authority on major developments in its activities;
- d. continuing its payment services business would constitute a threat to the stability of or the trust in the payment system;
- e. the activities of the payment institution fall within one of the other cases where national law provides for withdrawal of an authorisation; or
- f. the payment institution in other respects seriously or repeatedly infringes this Act or rules adopted by virtue of it.

Before a withdrawal is effected as referred to in the first paragraph, the payment institution shall be granted a suitable time limit to rectify the situation, if possible, in the estimation of the Financial Supervisory Authority. This shall not apply, however, to point (a) of the first paragraph.

Withdrawal of a payment institution's authorisation shall be notified to its board of directors and grounds provided in writing. The Financial Supervisory Authority shall publish an announcement in the Icelandic Legal Gazette and advertise in the media. A notification shall furthermore be sent to the competent supervisory authorities in those states where the payment institution concerned operates a branch or provides payment services through an agent.

The Financial Supervisory Authority shall also update the register of payment institutions referred to in Article 14 and publicly disclose therein the withdrawal of authorisation.

Art. 14

Register of payment institutions

The Financial Supervisory Authority shall keep a public register of payment institutions as referred to in this Act. This register shall list essential information on the payment institutions, such as concerning their authorisations, withdrawals of authorisation and, as appropriate, their agents and branches. The branches of a foreign payment institution in Iceland should be entered in the register of a Member State. Institutions authorised under special legislation to provide payment services shall also be entered in the register of the Financial Supervisory Authority. In addition, the persons referred to in the second sentence shall be listed in the register separately from natural and legal persons benefiting from an exemption pursuant to Article 34 or 35 and, if applicable, their branches and agents.

The register of payment institutions shall be publicly available for consultation on the website of the Central Bank of Iceland, and it shall be updated without delay when changes occur.

The Financial Supervisory Authority shall, without delay, notify the EBA of the information it enters in the register of payment institutions. The Financial Supervisory Authority is responsible to the European Banking Authority for the accuracy of the information entered in the register of payment institutions.

F. Accounts and auditing

Art. 15

Accounting and statutory audit

A payment institution's financial year shall be the calendar year. The payment institution shall submit separate financial statements for, on the one hand, payment services and, on the other hand, for other activities which it is authorised to engage in pursuant to Article 16(1).

In other respects, the Act on Financial Undertakings, or where applicable, the Act on Annual Accounts shall apply to the accounting and auditing of payment institutions and the obligation of auditors to report to the Financial Supervisory Authority.

The Central Bank of Iceland is entitled to regulate the annual accounts of payment institutions.

G. Authorised activities

Art. 16

Other activities

In addition to the provision of payment services, payment institutions shall be entitled to engage in the following activities:

- a. the provision of closely related ancillary services such as ensuring the execution of payment transactions, foreign exchange services, safekeeping activities, and the storage and processing of data;
- b. the operation of payment systems;
- c. business activities other than the provision of payment services, in accordance with other applicable legislation.

A payment institution may hold payment accounts which are used exclusively for payment transactions.

Any funds received by payment institutions from payment service users in connection with the provision of payment services shall not constitute a deposit or other repayable funds from the public or electronic money.

In relation to payment services pursuant to point (d) or (e) of Article 22(3), payment institutions may grant loans if the following conditions are met:

- a. the credit shall be ancillary and granted exclusively in connection with the execution of a payment transaction;
- b. the repayment period for cross-border credit granted shall in no case exceed 12 months;
- c. the credit shall not be granted from the funds received or held for the purpose of executing a payment transaction;
- d. the own funds of the payment institution meet the requirements of this Act and are, in the assessment of the Financial Supervisory Authority, appropriate in view of the overall amount of credit granted.

The Financial Supervisory Authority may issue detailed rules on credit granted by a payment institution.

A payment institution may not accept deposits or other repayable funds from the public as defined by the Act on Financial Undertakings.

The Financial Supervisory Authority may prohibit a payment institution in part or in full from pursuing activities referred to in this Article. The provisions of the first and second paragraphs of Article 13 shall apply to such a prohibition.

H. The provision of domestic payment services through agents or by establishing a branch

Art. 17

The provision of payment services through agents or by establishing a branch

Where a payment institution intends to provide payment services through an agent it must notify the Financial Supervisory Authority in advance. The notification shall include the name and geographical address of the agent and a description of its internal control mechanisms that must, among other things, satisfy the requirements of the Act on Measures against Money Laundering and Terrorist Financing, to be updated without delay in the event of material changes to the particulars communicated at the initial notification. The notification shall also include necessary information and documentation on the agent's managers, evidence showing that agents who are not yet payment service providers are fit and proper persons, information on the payment services of the payment institution for which the agent is mandated and, where applicable, the unique identification of the agent.

The Financial Supervisory Authority enters the agent in the register pursuant to Article 14 within 2 months of receipt of the information referred to in the first paragraph and sends to the payment institution the details of the registration at the same time. Should the Financial Supervisory Authority consider there to be any doubt as to the accuracy of the information, it shall take action to verify it. If the Financial Supervisory Authority considers the information pursuant to the first paragraph incorrect or incomplete, it shall refuse to list the agent in the register provided for in Article 14. If the Financial Supervisory Authority refuses the registration, the payment institution must be notified without delay, and it may not use the agent concerned from that point onward.

A payment institution may provide payment services through an agent acting on its behalf after the Financial Supervisory Authority has entered it in its register as provided for in Article 14.

Payment institutions shall ensure that agents or branches acting on their behalf inform payment service users of this fact.

Payment institutions shall notify the Financial Supervisory Authority without delay of any change regarding the use of agents, including additional agents, in accordance with the procedure provided for in the second to fourth paragraphs.

If a payment institution requests to provide payment services in another Member State through an agent, this shall be subject to Article 25.

I. Outsourcing

Art. 18

Outsourcing of operational functions of payment services

Where a payment institution intends to outsource operational functions of payment services it must notify the Financial Supervisory Authority in advance.

Outsourcing of important operational functions, including IT systems, shall not be undertaken if it impairs materially the quality of the payment institution's internal control and the monitoring of compliance with the implementation of this Act. An operational function shall be regarded as important if a defect or failure in its performance would materially impair the continuing compliance of a payment institution with the requirements of its authorisation or other obligations under this Act, its financial performance, or the soundness or the continuity of its payment services.

Payment institutions may only outsource important operational functions if the following condition are met:

1. The outsourcing shall not result in the delegation of the responsibilities of managers to outsourcing providers.
2. The obligations and relationship of the payment institution towards its payment service users under this Act shall not be altered.
3. The payment institution continues to comply with the conditions of its authorisation.
4. The other conditions subject to which the payment institution's authorisation was granted shall neither be removed nor modified.

The Central Bank of Iceland may adopt detailed rules on outsourcing of important operational functions for payment institutions.

Payment institutions shall notify the Financial Supervisory Authority immediately of any change regarding the outsourcing of activities, in accordance with the procedure provided for in the second to fourth paragraphs of Article 17.

J. Good practices, professional secrecy and liability

Art. 19

Good practices and professional secrecy

Payment institutions must follow normal and sound business practices and customs. The Central Bank of Iceland shall adopt rules as to what is considered normal and sound business practices and customs.

The board of directors, managing director, auditors, employees and any person undertaking any work on behalf of the enterprise shall be subject to professional secrecy as provided for in the Act on Financial Undertakings.

Art. 20

Liability

Payment institutions shall be liable for damages which may be attributed to acts of its employees, agents, branches or parties to whom operational functions of payment services have been outsourced.

Payment institutions which depend upon third parties for the performance of specific operational functions must take suitable measures to ensure compliance with this Act.

K. Record-keeping

Art. 21

Record-keeping

Payment institutions must keep all appropriate records for the purpose of this Chapter for at least 5 years.

L. Supervision of the activities of payment institutions

Art. 22

Supervision

The Financial Supervisory Authority shall supervise the activities of payment institutions, including agents, branches and the outsourcing of operational functions of payment services, which are covered by Chapter II, unless otherwise provided for by law or international agreements to which Iceland is a party.

The Financial Supervisory Authority shall, in particular, be entitled to take the following steps:

- a. to require the payment institution to provide any information needed to monitor compliance with acts and regulation specifying the purpose of the request and the time limit by which the information is to be provided;
- b. to carry out on-site inspections at the payment institution, at any agent or branch providing payment services under the responsibility of the payment institution, or at any establishment of an outsourcing provider;
- c. to issue instructions, guidelines and binding administrative provisions;
- d. to suspend or to withdraw an authorisation pursuant to Article 13;
- e. exercise its powers granted by the Act on Official Supervision of Financial Activities.

In particular, the Financial Supervisory Authority shall enact measures pursuant to the second paragraph to ensure the payment institution has sufficient own funds for payment services, in particular where the non-payment services activities of the payment institution impair or are likely to impair the financial soundness of the payment institution.

M. Providing cross-border services with or without the establishment of a branch or an intermediary agent

Art. 23

Activities of payment institutions abroad without the establishment of a branch or an intermediary agent

Where a payment institution intends to provide services pursuant to this Act in another Member State without establishing a branch or an intermediary agent it must notify the Financial Supervisory Authority in advance. Such notification must disclose the name, geographical address and, where applicable, authorisation number of the payment institution, the Member State in which it intends to operate and the payment service(s) to be provided. The notification must also include whether the payment institution intends to outsource operational functions of payment services to other entities in the Member State concerned. Within 1 month of receipt of the notification the Financial Supervisory Authority shall forward the information to the competent authorities of the Member State concerned including confirmation that the proposed services are covered by the authorisation granted to the payment institution.

Within 3 months of receipt of the information referred to in the first paragraph, the Financial Supervisory Authority shall communicate its decision on the intended foreign activities to the competent authorities of the host Member State and to the payment institution. Where the decision of the Financial Supervisory Authority is favourable, the details of the payment institution shall be entered at the same time in the register of payment institutions pursuant to Article 14.

Art. 24

Activities of payment institutions abroad by establishing a branch

Where a payment institution intends to provide services pursuant to this Act in another Member State by establishing a branch it must notify the Financial Supervisory Authority in advance. Such notification must disclose the Member State concerned, the payment service(s) to be provided, the name, geographical address and, where applicable, authorisation number of the payment institution, the identity of those responsible for the management of the branch, the Member State(s) in which it intends to provide payment services and its organisation, including a description of the internal control mechanisms, administrative procedures, risk management, accounting and business plan for the first 3 financial years. The notification must also disclose whether the payment institution intends to outsource operational functions of payment services to other entities in the host Member State. Within 1 month of receipt of the notification the Financial Supervisory Authority shall forward the

information to the competent authorities of the host Member State including confirmation that the proposed services are covered by the authorisation granted to the payment institution.

Within 3 months of receipt of the information referred to in the first paragraph, the Financial Supervisory Authority shall communicate its decision to the competent authorities of the host Member State and to the payment institution. Where the decision of the Financial Supervisory Authority is favourable, the details of the payment institution shall be updated at the same time in the register of payment institutions pursuant to Article 14. At this point, the branch may commence its activities in the relevant host Member State.

If the Financial Supervisory Authority receives notification from competent authorities in a host Member State where a payment institution intends to establish a branch that they have reasonable grounds for concern that the establishment of the branch could increase the risk of money laundering or terrorist financing, the Financial Supervisory Authority may refuse to enter information on the branch in its register, as provided for in Article 14, or withdraw the registration if it has been made.

If the Financial Supervisory Authority does not receive a response from the competent authorities, or if the Financial Supervisory Authority considers that the competent authorities of the other Member State have failed to correctly scrutinise the information and have reached an incorrect conclusion in their assessment, it may refer the matter to the European Banking Authority or the European Surveillance Authority, as the case may be, in accordance with Article 19 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council. The Financial Supervisory Authority shall suspend its decisions until such time as a result is available.

The payment institution shall notify to the Financial Supervisory Authority the date from which it commences its activities through a branch.

The payment institution shall communicate to the Financial Supervisory Authority without undue delay any relevant change regarding the information communicated in accordance with the first paragraph, including additional branches or third parties to which activities are outsourced in the Member States concerned. The procedure provided for under the third and fourth paragraphs shall apply.

Payment institutions shall ensure that branches acting on their behalf inform payment service users of this fact.

Art. 25

Services provided abroad through an agent

A payment institution requesting to provide payment services in another Member State, through an agent located in another Member State, must notify the Financial Supervisory Authority in advance. Such notification must disclose the name, geographical address and, where applicable, authorisation number of the payment institution, the Member State in which it intends to operate and the payment service(s) to be provided. The notification shall include the name and geographical address of the agent and a description of its internal control mechanisms, that must, among other things, satisfy the requirements of the Act on Measures against Money Laundering and Terrorist Financing, and the registration must be updated without delay in the event of material changes to the particulars communicated at the initial notification. The notification shall also include necessary information and documentation on the agent's managers, evidence showing that they fulfil the suitability criteria of the third paragraph of Article 5, if they are not yet payment service providers, information on the payment services of the payment institution for which the agent is mandated and, where applicable, the unique identification of the agent. Finally, the notification must disclose whether the payment institution intends to outsource operational functions of payment services to other entities in the host Member State. Within 1 month of receipt of such notification the Financial Supervisory Authority shall send the competent authorities in the host Member State the information referred to in this paragraph including confirmation that the proposed services are covered by the authorisation granted to the payment institution and a request for an opinion.

Within 3 months of receipt of the information referred to in the first paragraph, the Financial Supervisory Authority shall communicate its decision to the competent authorities of the host Member State and to the payment institution. Where the decision of the Financial Supervisory Authority is favourable, the details of the payment institution shall be updated at the same time in the register of

payment institutions pursuant to Article 14. At this point, the agent may commence its activities in the relevant host Member State.

If the Financial Supervisory Authority receives notification from competent authorities in a host Member State where a payment institution intends to offer payment services through an agent that they have reasonable grounds for concern that the engagement of the agent could increase the risk of money laundering or terrorist financing, the Financial Supervisory Authority shall refuse to enter information on the agent in its register, as provided for in Article 14, or withdraw the registration if it has been made.

If the Financial Supervisory Authority does not receive a response from the competent authorities, or if the Authority considers that the competent authorities of the other Member State have failed to correctly scrutinise the information and have reached an incorrect conclusion in their assessment, it may refer the matter to the European Banking Authority or the European Surveillance Authority, as appropriate, in accordance with Article 19 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council. The Financial Supervisory Authority shall suspend its decisions until such time as a result is available.

The payment institution shall notify the Financial Supervisory Authority the date from which it commences its activities through an agent.

The payment institution shall notify the Financial Supervisory Authority without undue delay of any significant change regarding the information communicated in accordance with the first paragraph, including additional agents or third parties to which activities are outsourced in the Member States concerned. The procedure provided for under the third and fourth paragraphs shall apply.

Payment institutions shall ensure that agents offering payment services on their behalf inform payment service users of this fact.

Art. 26

Activities outside the European Economic Area

Where a payment institution intends to provide services pursuant to this Act in a state outside the European Economic Area it must notify the Financial Supervisory Authority in advance. Such notification must include the name and geographical address of the payment institution, what state is concerned and the payment service(s) to be provided as well as other information the Financial Supervisory Authority requires in this regard.

The Financial Supervisory Authority may prohibit activities as referred to in the first paragraph if it has legitimate reason to expect that the management or financial situation of the payment institution concerned is not sufficiently sound. The payment institution shall be notified of the Financial Supervisory Authority's decision as promptly as possible.

Art. 27

The services of a payment institution authorised in the European Economic Area in Iceland without the establishment of a branch or an intermediary agent

Payment institutions established and authorised in another state of the European Economic Area may provide payment services pursuant to this Act in Iceland without establishing a branch or an intermediary agent.

Payment institutions established and authorised in another state of the European Economic Area may provide services in Iceland when the competent authority of the home Member State has submitted to the Financial Supervisory Authority a notification meeting the requirements set out in the first paragraph of Article 23. The Financial Supervisory Authority shall review the notification within its 1-month time limit, following which the competent authority of the home Member State of the payment institution may approve the provision of the requested cross-border payment services, and update the register in the home Member State that is equivalent to the register referred to in Article 14.

Art. 28

The services of a payment institution authorised in the European Economic Area in Iceland through establishing a branch or an intermediary agent in Iceland

Payment institutions established and authorised in another state of the European Economic Area may provide payment services pursuant to this Act in Iceland through establishing a branch or an intermediary agent.

Payment institutions established and authorised in another state of the European Economic Area may provide payment services in Iceland when the competent authority of the home Member State has submitted to the Financial Supervisory Authority a notification meeting the requirements set out in the first paragraph of Article 24 and the first paragraph of Article 25. The Financial Supervisory Authority shall review the notification within its 1-month time limit. Subsequently, the competent authority of the home Member State of the payment institution may approve the establishment of a branch or provision of the requested payment services through an agent in Iceland and update the register in the home Member State that is equivalent to the register referred to in Article 14.

The Financial Supervisory Authority shall notify the competent authorities in the home Member State of any reasonable grounds for concern that the establishment of a branch or provision of payment services through an agent could increase the risk of money laundering or terrorist financing. Should the competent authorities of the home Member State decide to refuse or withdraw registration following such notifications, the branch in question may not provide payment services in Iceland from that point on.

If the competent authorities of the home Member State do not take into account the comments of the Financial Supervisory Authority and authorise a payment institution to establish a branch or provide payment services in Iceland through an agent, the Financial Supervisory Authority may refer the decision to the European Banking Authority or the European Surveillance Authority, as appropriate, in accordance with Article 19 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council. The Financial Supervisory Authority shall suspend its decisions until such time as a result is available.

Payment institutions established and authorised in another State of the European Economic Area shall ensure that agents or branches acting on their behalf inform payment service users of this fact.

Art. 29

Establishment of a branch or provision of services through an agent in Iceland on behalf of an institution outside the European Economic Area

The Financial Supervisory Authority may authorise a payment institution established in a state outside the European Economic Area to provide services or open a branch in Iceland through a domestic agent. The requirements for granting such authorisation are that the payment institution must have authorisation for comparable activities in its home state, those activities must be subject to similar supervision in its home state and a cooperation agreement must be in place between the Financial Supervisory Authority and the competent authorities of that state. In order for branches to commence operations in Iceland, the home state of the payment institution must have signed an agreement with the Government of Iceland, which fully complies with the standards laid down in Article 26 of the OECD Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, if applicable.

Within 6 months of the payment institution submitting a satisfactory application the Financial Supervisory Authority shall communicate its decision concerning the operation of a branch or providing services through an agent in Iceland.

N. Supervision of cross-border services

Art. 30

Supervision by the host Member State of payment institutions providing cross-border services by establishing a branch or engaging an agent

The Financial Supervisory Authority shall cooperate with the competent authorities of the host Member State in monitoring compliance with this Act in respect of the activities of agents and branches in a host Member State. The Financial Supervisory Authority shall notify the competent authorities of a host Member State where it intends to carry out on-site inspections at the agent's

premises or at a branch in the host Member State. The Financial Supervisory Authority may delegate to the competent authorities of the host Member State the task of carrying out on-site inspections at an agent's premises or a branch located in that State.

The competent authorities of the host Member States may require that payment institutions having agents or branches within their territories shall report to them periodically on the activities carried out in their territories. Such reports shall be required for information or statistical purposes and, as far as the agents and branches conduct the payment service business under Articles 24 and 25, to monitor compliance with the provisions of legislation in host Member States that correspond to Chapters IV to VII.

The Financial Supervisory Authority shall, after having evaluated information received from the competent authority of the host Member State to the effect that a payment institution authorised by the Financial Supervisory Authority does not comply with the provisions of Chapters II and III or Chapters IV to VII, without undue delay, take all appropriate measures to ensure that the payment institution concerned complies with the rules. The Financial Supervisory Authority shall also communicate those measures without delay to the competent authorities of the host Member State and any other host Member State concerned.

The Financial Supervisory Authority shall communicate, upon request from a competent authority in a host Member State or on its own initiative, all relevant information, in particular in the case of infringements or suspected infringements by an agent or a branch, and ensure that the payment institution complies with the conditions under the second paragraph of Article 7.

Art. 31

Supervision of a payment institution authorised in the European Economic Area providing services in Iceland by establishing a branch or through an agent

The Financial Supervisory Authority may require that payment institutions having agents or branches in Iceland shall report to it periodically on the activities carried out in Iceland. Such reports shall be required for information or statistical purposes and, as far as the agents and branches conduct the payment service business under Articles 27 and 28, to monitor compliance with Chapters IV to VII.

Where the Financial Supervisory Authority ascertains that a payment institution providing payment services through an agent or branch in Iceland does not comply with Chapters II to VII, it shall inform the competent authority of the home Member State without delay.

In emergency situations, the Financial Supervisory Authority may take immediate action that is necessary to address a serious threat to the collective interests of the payment service users in Iceland or take precautionary measures in parallel to cooperation with the competent authority of the home Member State of the payment institution and pending measures by that authority. It is irrelevant here whether the emergency is due to a local branch, a local agent or a payment service operating in Iceland on behalf of a payment institution authorised in the European Economic Area. The precautionary measures shall be appropriate and proportionate to their purpose to protect against a serious threat to the collective interests of the payment service users in Iceland. They shall not result in a preference for users of the payment service in Iceland through agents, branches of foreign payment institutions or due to cross-border payment services provided through neither branch nor agent over payment service users in other Member States of the EEA. In addition, precautionary measures shall be temporary and shall be terminated when the serious threats identified are addressed, including with the assistance of or in cooperation with the competent authorities of the home Member State of the payment institution or with the European Banking Authority or the European Surveillance Authority, as appropriate, as provided for in Article 19 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council.

The Financial Supervisory Authority shall, if appropriate, inform the competent authorities of any Member State concerned, the European Surveillance Authority and the European Banking Authority in advance and in any case without undue delay, of the precautionary measures taken under the third paragraph and of their justification.

If the Financial Supervisory Authority is of the opinion that the competent authorities of the home Member State of the payment institution clearly fail to act by not taking the measures which they have recognised as necessary, refuse to cooperate and/or neglect to respond to an emergency,

situation or do not recognise that there is an emergency, the Financial Supervisory Authority may seek the assistance of the European Surveillance Authority and the European Banking Authority due to that position to seek a solution to that dispute. The Financial Supervisory Authority shall suspend its decisions until such time as a result is available.

Art. 32

Cooperation and exchange of information with foreign institutions for supervision

The Financial Supervisory Authority shall cooperate, as appropriate, with the supervisory bodies of the Member States, the European Central Bank, the central banks of the Member States, the European Banking Authority and the European Surveillance Authority and other relevant supervisory authorities in connection with the supervision of payment service providers.

The Financial Supervisory Authority shall, at the request of a supervisory authority in a Member State, the European Central Bank, the national central banks of Member States, and, where appropriate, other public authorities responsible for overseeing payment and settlement systems and the European Banking Authority, in accordance with their capacity of contributing to the consistent and coherent functioning of supervising mechanisms as referred to in the Act on European Control Systems in the Financial Market, in addition to the European Surveillance Authority, provide relevant information on payment service providers authorised under this Act. Similarly, at the request of other competent authorities supervising payment service providers, including the Act on Measures against Money Laundering and Terrorist Financing, the Financial Supervisory Authority shall provide relevant information on payment service providers authorised under this Act. The Financial Supervisory Authority information disclosure is in accordance with Article 14 of Act No 87/1998 on Official Supervision of Financial Activities.

Art. 33

Appointment of a central contact point for payment institutions authorised in the European Economic Area providing payment services through agents

Payment institutions operating in Iceland through agents must appoint a central contact point for the Financial Supervisory Authority. The Financial Supervisory Authority shall contact the central contact point for information and reports in order to exercise supervision under this Act.

O. Derogation from payment institution conditions

Art. 34

Payment institutions with limited authorisation

A payment institution which fulfils the conditions laid down in the second paragraph may provide payment services pursuant to points (a) to (f) of Article 3(22) on the basis of a limited authorisation.

The monthly average of the preceding 12 months' total value of payment transactions executed by a payment institution with limited authorisation may not exceed the equivalent of EUR 1 million in ISK based on the official reference rate (central rate) as listed at any given time. If the monthly average of the preceding 12 months' total value of payment transactions exceeds the equivalent of EUR 1 million in ISK, the exemption will cease. Where a payment institution with a limited authorisation submits a satisfactory application for authorisation as a payment institution within 30 days of the cessation of its limited authorisation, it may continue to operate while the Financial Supervisory Authority processes the application.

This Chapter applies to payment institutions with limited authorisation, except for the provisions of Articles 7 to 9, the ninth paragraph of Article 12, the fourth paragraph of Article 16 and Articles 23 to 28.

The Central Bank of Iceland may adopt more detailed rules on the conditions for granting limited authorisation.

Art. 35

Account information service providers

Articles 4 to 21 and the third paragraph of Article 22 shall not apply to an account information service provider which only provides that service, see point (h) of Article 3(22), with the exception

that points (1) to (4), (10), (11), (13), (14) and (16) of the first paragraph of Article 4, Article 11, the fourth paragraph of Article 12, Article 14 and Articles 22 to 33 shall apply.

The account information service providers referred to in the first paragraph of this Article shall be treated as payment institutions, save that Chapters IV to VII shall not apply to them, with the exception of Articles 43, 49 and 54 where applicable, and of Articles 70 to 72 and 99 to 101.

CHAPTER III

Common provisions on payment service providers

Art. 36

Access to payment systems

Authorised payment service providers that are legal persons shall be granted access to payment systems as provided for in the second and third paragraphs, without prejudice to the fourth paragraph.

Rules on access to payment systems must be objective, non-discriminatory and proportionate. They may not inhibit access more than is necessary to safeguard against specific risks such as settlement risk, operational risk and business risk and to protect the financial and operational stability of the payment system.

Payment systems shall not impose on payment service providers, on payment service users or on other payment systems any requirements that:

- a. restrict their active participation in other payment systems;
- b. discriminate between payment service providers, regardless of whether they are authorised or registered, in relation to the rights, obligations or entitlements of participants; or
- c. apply restrictions on the basis of institutional status.

The provisions of the first to third paragraphs shall not apply to:

- a. payment systems which have been approved and notified to the European Surveillance Authority in accordance with the Act on Security of Payment Instructions in Payment Systems;
- b. payment systems composed exclusively of payment service providers belonging to a particular group.

Where a participant in a payment system as designated in point (a) of the fourth paragraph allows a payment service provider that is not a participant in the system to pass transfer orders through the system that participant shall give the same opportunity in an objective, proportionate and non-discriminatory manner to other authorised or registered payment service providers in line with the second paragraph.

Where a participant in a payment system as designated in point (a) of the fourth paragraph refuses the request of payment service provider to pass transfer orders through the system it shall inform the payment service provider in full for the reasons of the refusal.

The Minister may lay down detailed provisions in a Regulation on the implementation of this provision, including for supervision.

Art. 37

Access to accounts maintained with a credit institution

Credit institutions and commercial banks shall provide payment institutions with access to their payment accounting services in an objective and non-discriminatory manner consistent with the legitimate objective pursued by the payment institution. The access shall be sufficiently extensive as to allow payment institutions to provide payment services in an unhindered and efficient manner.

Where a credit institution or a commercial bank refuses the requested access, as referred to in the first paragraph, it shall notify the Financial Supervisory Authority of the refusal and list the main reasons for the refusal.

The Financial Supervisory Authority may adopt detailed rules on notifications in line with the second paragraph.

Art. 38

Payment instruments with limited usage

Non-payment service providers are not permitted to provide payment services under this Act.

Service providers offering the services referred to in points (11) and (12) of Article 2, for which the total value of payment transactions executed over the preceding 12 months exceeds the amount of EUR 1 million, shall communicate the following to the Financial Supervisory Authority:

- a. A description of the services offered.
- b. Under which exemption referred to in points (11) and (12) of Article 2 the services are offered.

On the basis of the information referred to in the second paragraph, the Financial Supervisory Authority shall take a duly motivated decision, referencing points (11) and (12) of Article 2, whether the activity is considered to be a limited network, and inform the service provider accordingly. Where the activity is not covered by the exclusion, the Financial Supervisory Authority shall prohibit further activity, but if the service provider submits a satisfactory application for authorisation as a payment institution within 30 days of the date of the ban, the service provider may continue to operate while the Financial Supervisory Authority is processing the application.

Art. 39

Providers of electronic communications networks or services provided in addition to electronic communications services

Service providers offering the services described in Article 2(14) shall send the following to the Financial Supervisory Authority:

- a. A description of the services offered to customers.
- b. A precise description of how the service provider monitors that the service meets the conditions of Article 2(14) at all times.
- c. An annual auditor's opinion confirming that the activities are carried out in accordance with Article 2(14).

On the basis of this information, the Financial Supervisory Authority assesses whether the activity is excluded under Article 2(14). Where the activity is not covered by the exclusion, the Financial Supervisory Authority shall prohibit further activity, but if the service provider submits a satisfactory application for authorisation as a payment institution within 30 days of the date of the ban, the service provider may continue to operate while the Financial Supervisory Authority is processing the application.

Before offering the service for the first time, the service provider shall send the Financial Supervisory Authority information pursuant to points (a) and (b) of the first paragraph.

Art. 40

Right to apply decisions of the Financial Supervisory Authority to the courts

Where payment service providers or service providers pursuant to Article 39 are unwilling to accept the decision of the Financial Supervisory Authority, or its failure to act, under this Act or related regulatory acts, they may refer the matter to the courts, in accordance with Article 18 of Act No 87/1998 on Official Supervision of Financial Activities.

CHAPTER IV

Transparency of conditions and information disclosure for payment services

A. Common provisions

Art. 41

Scope of the Chapter

This Chapter applies to single payment transactions, framework contracts and payment transactions covered by them.

Full or partial derogations may be made from the provisions of this Chapter in a contract when the payment service user is not a consumer.

Articles 47 to 52 only apply to the transparency of conditions and information disclosure for payment services in the case of single payment transactions not covered by framework contracts.

Articles 53 to 60 only apply to the transparency of conditions and information disclosure for payment services in the case of payment transactions covered by framework contracts.

Where other law has stricter information disclosure requirements relating to credit granted to consumers the provisions of that legislation will prevail.

Where Act No 33/2005 on Distance Sales of Financial Services also applies, the provisions of Articles 48, 49, 53 and 54 supersede the provisions of Article 5, Article 6(1) and (3), Article 7(3), (4), (6) and (7) and Article 8(1) of Chapter II of that Act.

Art. 42

Charges for information disclosure

The payment service provider shall not charge the payment service user for providing information under this Chapter.

Parties may agree on charges for additional or more frequent information, or transmission by means of communication other than those specified in the framework contract, provided this is at the payment service user's request and that the charge is appropriate and in line with its actual costs.

Art. 43

Onus of proof of a payment service provider

The burden of proof lies with the payment service provider to prove that it has complied with the information requirements set out in this Chapter.

Art. 44

Derogation from information disclosure requirements for low-value payment instruments

The payment service provider may, in the low-value payment instrument contract with the payment service user, derogate from Articles 53, 54, 56 to 58 and 60 and only provide the payer with information on the main characteristics of the payment service, in line with the second and third paragraphs.

In derogation to Articles 53, 54 and 58, the payment service provider shall provide the payer only with information on the main characteristics of the payment service, including the way in which the payment instrument can be used, liability, charges levied and other material information needed to take an informed decision. The payment service provider shall provide simple and accessible instructions on where to find other information and conditions specified in Article 54.

The payment service provider may agree with the payment service user that it is not required to propose changes to the conditions of the framework contract in accordance with the first paragraph of Article 53.

The payment service provider may agree with the payment service user to derogate from Articles 59 and 60 and only provide the following information after the execution of a payment transaction:

- a. A reference enabling the payment service user to identify the payment transaction.
- b. The amount of the payment transaction.
- c. Any charges.
- d. Information on the total amount and charges for other payment transactions of the same kind made to the same payee.

The payment service provider is not required to provide the information if the payment instrument is used anonymously or if the payment service provider is not otherwise technically in a position to provide it.

Art. 45

Currency and currency conversion

Payments shall be made in the currency agreed between the parties.

Where a currency conversion service is offered prior to the payment transaction taking place and where that service is offered at an ATM, at the point of sale or by the payee, the party offering the service to the payer shall disclose to the payer all charges as well as the exchange rate to be used for converting the payment transaction. The payer shall approve the service for converting currency on this basis.

Art. 46

Information on additional charges or reductions

Where the payee offers a reduction for the use of a given payment instrument rather than others, the payee shall inform the payer thereof prior to the execution of the payment transaction.

Where the payment service provider requests a charge for the use of a given payment instrument, the payment service provider shall inform the payment service user thereof prior to the execution of the payment transaction.

The payer shall only be obliged to pay for the charges referred to in the second paragraph if their full amount was made known prior to the execution of the payment transaction.

B. Single payment transactions not covered by a framework contract

Art. 47

Special provisions on payment orders for single payment transactions transmitted by a payment instrument covered by a framework contract

Where a payment order for a single payment transaction is transmitted by a payment instrument covered by a framework contract, the payment service provider shall not be obliged to provide or make available information which is already given to the payment service user on the basis of a framework contract with another payment service provider or which will be given to him according to such framework contract.

Art. 48

General information disclosure before a payment service user is bound by a contract or offer for a single payment transaction

Before a payment service user is bound by any single payment service contract or offer, the payment service provider must make available to the payment service user the information and conditions referred to in Article 49 in an easily accessible manner.

At the payment service user's request, the information and conditions shall be provided on paper or other durable medium.

The information and conditions shall be presented in a clear and comprehensible manner, in Icelandic or in any other language agreed between the parties.

If the single payment service contract has been concluded at the request of the payment service user using a means of distance communication which does not enable the payment service provider to comply with the first to third paragraphs, the payment service provider shall fulfil its obligations under those provisions immediately after the execution of the payment transaction.

The obligations of the first to third paragraphs may also be discharged by supplying a copy of the draft single payment service contract or the draft payment order including the information and conditions to be provided to the user pursuant to this Act.

Art. 49

Information and conditions of service in connection with single payment transactions

The following information and conditions must be provided or made available to the payment service user:

- a. A specification of the information or unique identifier that has to be provided by the payment service user in order for a payment order to be properly executed.
- b. The maximum execution time for the payment service to be provided.
- c. All charges payable by the payment service user to the payment service provider and, where applicable, a breakdown of the amounts of such charges.
- d. Where applicable, the actual or reference exchange rate to be applied to the payment transaction.
- e. Where applicable, relevant information and conditions listed in Article 54.

Prior to initiation of the payment, payment initiation service providers shall make the following available to the payer in a clear and comprehensive manner:

- a. The name of the payment initiation service provider, the geographical address of its head office and, where applicable, the geographical address of its agent or branch in Iceland and any other contact details, including electronic mail address, relevant for communication with the payment initiation service provider.
- b. The Financial Supervisory Authority contact details.

Any other relevant information and conditions specified in Article 54 shall be made available to the payment service user in an easily accessible manner.

Art. 50

Payment initiation service providers' disclosure requirements after the initiation of a payment order

Where a payment order is initiated through a payment initiation service provider it shall, immediately after initiation, provide or make available all of the following information to the payer and, where applicable, the payee:

- a. Confirmation of the successful initiation of the payment order with the payer's account servicing payment service provider.
- b. A reference enabling the payer and the payee to identify the payment transaction and, where appropriate, the payee to identify the payer, and any information transferred with the payment transaction.
- c. The amount of the payment transaction.
- d. The amount of any charges payable to the payment initiation service provider for the transaction, and a breakdown of those charges.

The payment initiation service provider shall make available to the payer's account servicing payment service provider the reference of the payment transaction.

Art. 51

Information disclosure to the payer after receipt of the payment order for a single payment transaction

Immediately after receipt of the payment order, the payment service provider shall provide the payer with or make available to the payer, in the manner provided for in the first to third paragraphs of Article 48, all of the following information with regard to its own services:

- a. A reference enabling the payer to identify the payment transaction and, where appropriate, information relating to the payee.
- b. The amount of the payment transaction in the currency used in the payment order.
- c. The amount of any charges for the payment transaction payable by the payer and, where applicable, a breakdown of such charges.
- d. Where applicable, the exchange rate used in the payment transaction by the payer's payment service provider or a reference thereto, when different from the rate provided in accordance with point (d) of the first paragraph of Article 49, as well as the amount of the payment transaction after that currency conversion.
- e. The date of receipt of the payment order.

Art. 52

Information disclosure to the payee after execution of a single payment transaction

Immediately after the execution of the payment transaction, the payee's payment service provider shall provide the payee with, or make available to the payee, in the manner provided for in the first to third paragraphs of Article 48, all of the following information with regard to its own services:

- a. A reference enabling the payee to identify the payment transaction and, where appropriate, the payer and any information that may have been transferred with the payment transaction.
- b. The amount of the payment transaction in the currency in which the funds are at the payee's disposal.
- c. The amount of any charges for the payment transaction payable by the payee and, where applicable, a breakdown of the amounts of such charges.
- d. Where applicable, the exchange rate used in the payment transaction by the payee's payment service provider, and the amount of the payment transaction before that currency conversion.
- e. The credit value date.

C. Payment transactions covered by a framework contract

Art. 53

General information disclosure before a payment service user is bound by a contract or offer for payment transactions under a framework contract

Before a payment service user is bound by any framework contract or offer for payment services, the payment service provider must provide the payment service user on paper or on another durable medium with the information and conditions specified in Article 54.

The information and conditions shall be presented in a clear and comprehensible manner, in Icelandic or in any other language agreed between the parties.

If the framework contract has been concluded at the request of the payment service user using a means of distance communication which does not enable the payment service provider to comply with the first and second paragraphs, the payment service provider shall fulfil its obligations under those provisions immediately after conclusion of the framework contract.

The information disclosure obligation under the first and second paragraphs may also be discharged by providing a copy of the draft framework contract including the information and conditions specified in Article 54.

Art. 54

Information and conditions of service in connection with payment transactions covered by framework contracts

The following information and conditions shall be provided to the payment service user:

1. Regarding the payment service provider:
 - a. the name, geographical address of the head office and relevant mailing addresses, as well as similar information on agents and branches as applicable; and
 - b. which competent supervisory authority is responsible for its supervision and, as applicable, information on the relevant public register of authorisation of the payment service provider and the registration number or equivalent means of identification in that register.
2. Regarding use of the payment service:
 - a. a description of the services concerned.
 - b. a specification of the information or unique identifier that has to be provided by the payment service user in order for a payment order to be properly initiated or executed;
 - c. the form of and procedure for giving consent to initiate a payment order or execute a payment transaction and withdrawal of such consent in accordance with Articles 64 and 86;
 - d. a reference to the time of receipt of a payment order in accordance with Article 84 and the cut-off time, if any, established by the payment service provider;
 - e. the maximum execution time for the payment transaction to be provided;
 - f. whether it is possible to determine spending limits for payment transactions executed using the payment instrument as referred to in the first paragraph of Article 74; and
 - g. in the case of co-badged, card-based payment instruments, the payment service user's rights under Article 8 of Regulation (EU) 2015/751 of the European Parliament and of the Council on interchange fees for card-based payment transactions, transposed with Act No 31/2019 of the same name.
3. Regarding charges, interest and exchange rates:
 - a. all charges payable by the payment service user to the payment service provider including those connected to the manner in and frequency with which information under this Act is provided or made available and, where applicable, the breakdown of the amounts of such charges;
 - b. where applicable, the interest and exchange rates to be applied or, if reference interest and exchange rates are to be used, the user shall be provided with information on the method of calculating the interest, and the relevant dates and index or base for determining such reference interest or exchange rate; and

- c. rules on changes to the reference interest or exchange rate, including the period of validity of such changes, as referred to in the second paragraph of Article 56, if applicable.
 4. Regarding communications and routes of communication:
 - a. the means of communication, including the technical requirements for the payment service user's equipment and software, agreed between the parties for the transmission of information or notifications referred to in this Act;
 - b. the manner in, and frequency with which, information under this Act is to be provided;
 - c. the language(s) of the framework contract and communications during the contractual relationship; and
 - d. the payment service user's right to receive the contractual terms of the framework contract and information and conditions in accordance with Article 55.
 5. Regarding precautionary measures and liability:
 - a. where applicable, a description of measures that the payment service user is to take in order to ensure safekeeping of a payment instrument and how to notify the payment service provider as specified in the third paragraph of Article 75;
 - b. information on the secure procedure the payment service provider uses to notify the payment service user in the event of suspected or actual fraud or security threats;
 - c. if agreed, the conditions under which the payment service provider reserves the right to block a payment instrument in accordance with Article 74;
 - d. the liability of the payer in accordance with Article 80, including information on amount limits;
 - e. how and within what time limit the payment service user is to notify the payment service provider of any unauthorised payment transaction that has been incorrectly initiated or executed in accordance with Article 77, including information on the payment service provider's liability as referred to in Article 79;
 - f. how and within what period of time the payment service user is to notify the payment service provider of any unauthorised payment transaction that has been incorrectly initiated or executed in accordance with Article 79, including information on the payment service provider's liability as referred to in Article 93;
 - g. the conditions for refund in accordance with Articles 82 and 83.
 6. Regarding changes to and termination of a framework contract:
 - a. if agreed, information that the payment service user will be deemed to have accepted changes in the conditions of the framework contract in accordance with Article 56, unless the payment service user notifies the payment service provider before the changes enter into force that they are not accepted;
 - b. the duration of the framework contract;
 - c. the right of the payment service user to terminate the framework contract and any agreements relating to termination in accordance with the first paragraph of Article 56 and Article 57.
 7. Regarding dispute resolution:
 - a. what law applies to the framework contract;
 - b. what procedures for alternative dispute resolution and redress are available to the payment service user in accordance with Articles 103 to 104.

Art. 55

Accessibility of information and conditions of framework contracts

At any time during the contractual relationship the payment service user shall have a right to receive, on request, the contractual terms of the framework contract as well as the information and conditions specified in Article 54 on paper or on another durable medium.

Art. 56

Changes in conditions of the framework contract

The payment service provider shall propose any changes in the framework contract or in the information and conditions specified in Article 54 to the payment service user in the manner provided for in the first and second paragraphs of Article 53 no later than two months prior to their proposed date of entry into force. The payment service user can either accept or reject the changes before the date of their proposed date of entry into force. If agreed in accordance with point (6)(a) of Article 54, the payment service provider shall notify the payment service user that the user is considered to have accepted such changes if the payment service provider is not notified otherwise before the proposed date of their entry into force. The payment service provider shall also inform the payment service user of the user's right to terminate the framework contract free of charge and with effect at any time until the date when the changes would have applied.

Changes in the interest or exchange rates may be applied immediately and without notice, provided that such a right is agreed upon in the framework contract and that the changes in the interest or exchange rates are based on the reference interest or exchange rates agreed on in accordance with points (3)(b) and (c) of Article 54. The payment service user shall be notified of any change in the interest rate at the earliest opportunity in the same way as provided for in the first and second paragraphs of Article 53, unless the parties have agreed on a specific frequency or manner in which the information is to be provided or made available. However, interest rates or exchange rates may be altered without notice if such changes are favourable to the payment service user.

Changes in the interest or exchange rate used in payment transactions shall be implemented and calculated in a neutral manner that does not discriminate against payment service users.

Art. 57

Termination of a framework contract

The payment service user may terminate the framework contract at any time, unless the parties have agreed on a period of notice. Such a period of notice shall not exceed 1 month.

Termination of a framework contract concluded for a fixed period or for an indefinite period shall be free of charge for the payment service user.

The payment service provider may terminate a framework contract concluded for an indefinite period by giving at least 2 months' notice. The payment service user shall be informed of the termination in the manner specified in the first and second paragraphs of Art. 53.

If an agreement has been reached to levy regular charges during the period of the contract for payment services under a framework contract, consideration shall be given proportionally to the date of effect of termination in collecting payments after the termination of the contract. If charges for payment services under a framework contract are paid in advance, they shall be reimbursed to the user proportionally in consideration of the date of effect of termination.

Art. 58

Information disclosure before execution of individual payment transactions under a framework contract

When a payer requests the initiation of an individual payment transaction under a framework contract the payment service provider shall, at the same time, provide explicit information on all of the following:

- a. the maximum execution time for the payment transaction;
- b. the charges payable by the payer for the transaction; and
- c. where applicable, a breakdown of the amounts of any charges.

Art. 59

Information disclosure to the payer on individual payment transactions covered by a framework agreement

After the amount of an individual payment transaction covered by a framework agreement is debited from the payer's account or, where the payer does not use a payment account, after receipt of the payment order, the payer's payment service provider shall provide the payer, without delay and in

the same way as laid down in the first and second paragraphs of Article 53, with the following information:

- a. a reference enabling the payer to identify each payment transaction and, where appropriate, information relating to the payee;
- b. the amount of the payment transaction in the currency in which the payer's payment account is debited or in the currency used for the payment order;
- c. the amount of any charges for the payment transaction and, where applicable, a breakdown of the amounts of such charges, and information on the interest payable by the payer;
- d. where applicable, the exchange rate used in the payment transaction by the payer's payment service provider, and the amount of the payment transaction after the currency conversion; and
- e. the debit value date or the date of receipt of the payment order.

A framework contract shall include a condition that the information referred to in the first paragraph is to be provided or made available periodically, at least once a month, free of charge and in a manner which allows the payer to store and retrieve information unchanged.

Art. 60

Information disclosure to the payee on individual payment transactions covered by a framework agreement

After the execution of an individual payment transaction covered by a framework agreement, the payment service provider shall provide the payee, without delay and in the same way as laid down in the first and second paragraphs of Article 53, with the following information:

- a. a reference enabling the payee to identify the payment transaction and the payer, and any information transferred with the payment transaction;
- b. the amount of the payment transaction in the currency in which the payee's payment account is credited;
- c. the amount of any charges for the payment transaction and, where applicable, a breakdown of the amounts of such charges, and information on the interest payable by the payee;
- d. where applicable, the exchange rate used in the payment transaction by the payee's payment service provider, and the amount of the payment transaction before that currency conversion; and
- e. the credit value due date.

A framework contract may include a condition that the information referred to in the first paragraph is to be provided or made available periodically, at least once a month, free of charge and in a manner which allows the payee to store and retrieve information unchanged.

CHAPTER V

Rights and obligations in connection with the provision and use of payment services

A. Common provisions

Art. 61

Scope of the Chapter

Where the payment service user is not a consumer, the payment service user and the payment service provider may agree that the first and second paragraphs of Article 62, the third paragraph of Article 6 and Articles 78, 80, 82, 83, 86 and 93 do not apply in whole or in part. The payment service user and the payment service provider may also agree on time limits that are different from those laid down in Article 77.

Where the Act on Consumer Credit or other law has stricter requirements on consumer credit the provisions of that legislation will prevail.

Art. 62

Charges

The payment service provider may not charge the payment service user for fulfilment of its information obligations under Chapters V to VII or corrective and preventive measures under

Chapters V to VII, unless otherwise specified in the second paragraph of Article 85, the fifth paragraph of Article 86 and the third paragraph of Article 92.

Those charges shall be agreed between the payment service user and the payment service provider and shall be appropriate and in line with the payment service provider's actual costs.

Payees shall pay the charges levied by their payment service provider for payment transactions provided within the European Economic Area where the payee's payment service provider is the sole payment service provider in the payment transaction or where both the payee's and the payer's payment service providers are located within the European Economic Area.

Payers shall pay the charges levied by their payment service provider for payment transactions provided within the European Economic Area where the payer's payment service provider is the sole payment service provider in the payment transaction or where both the payer's and the payee's payment service providers are located within the European Economic Area.

The payee may not demand a fee from the payer for use of one specific payment instrument rather than any other. However, the payee may offer a discount to the payer or otherwise direct the payer to use a particular payment instrument.

Art. 63

Exemptions and derogations for low-value payment instruments

The payment service provider may, in the framework agreement for low-value payment instruments with a payment service user, derogate from:

- a. the third paragraph of Article 75, the fourth paragraph of Article 76 and the sixth paragraph of Article 80 if the payment instrument does not allow its blocking or prevention of its further use;
- b. Articles 78 and 79 and the first to fourth and sixth paragraphs of Article 80 if the payment instrument is used anonymously or the payment service provider is not in a position, for other reasons which are intrinsic to the payment instrument, to prove that a payment transaction was authorised;
- c. the first and second paragraphs of Article 85 on the obligation to notify the payment service user of the refusal of a payment order, if the non-execution is apparent from the context.

The payment service provider may also, in the framework agreement for low-value payment instruments with a payment service user, agree that the payer may not, notwithstanding Article 86, revoke a payment order after sending it or giving the payee consent for the execution of the payment and notwithstanding Articles 88 and 89, other execution periods than those specified in the framework agreement shall apply.

Articles 79 and 80 also apply to payments by electronic money. With the exception, however, that Articles 79 and 80 do not apply where the payer's payment service provider is incapable of freezing the payment account on which the electronic money is stored or blocking the payment instrument.

B. Authorisation of payment transactions

Art. 64

Consent and withdrawal of consent to a payment transaction

A payment transaction is considered to be authorised only if the payer has given consent to execute the payment transaction. A payment transaction may be authorised by the payer prior to or, if agreed between the payer and the payer's payment service provider, after the execution of the payment transaction.

Consent to execute a payment transaction or a series of payment transactions shall be given in the form agreed between the payer and the payer's payment service provider. Consent to execute a payment transaction may also be given via the payee or the payment initiation service provider. In the absence of consent, a payment transaction shall be considered to be unauthorised.

Consent may be withdrawn by the payer at any time, but no later than the point in time a payment order is considered irrevocable as defined in Article 86. Consent to execute a series of payment transactions may also be withdrawn, in which case any future payment transaction shall be considered to be unauthorised.

The procedure used by the payer for giving consent shall be agreed between the payer and the relevant payment service provider.

C. Issuer of a card-based payment instrument

Art. 65

Confirmation on the availability of funds

Account servicing payment service providers shall, upon the request of a payment service provider issuing card-based payment instruments, immediately confirm whether an amount necessary for the execution of a card-based payment transaction is available on the payment account of the payer, provided that all of the following conditions are met:

- a. the payment account of the payer is accessible online at the time of the request;
- b. the payer has given explicit consent to the account servicing payment service provider to respond to requests from a specific payment service provider to confirm that the amount corresponding to a certain card-based payment transaction is available on the payer's payment account;
- c. the consent referred to in point (b) has been given before the first request for confirmation is made.

The issuer of a card-based payment instrument may request the confirmation referred to in the first paragraph where all of the following conditions are met:

- a. the payer has given explicit consent to the payment service provider to request the confirmation;
- b. the payer has initiated the card-based payment transaction for the amount in question using a card-based payment instrument issued by the payment service provider;
- c. The issuer of a card-based payment instrument authenticates itself towards the account servicing payment service provider before each confirmation request, and securely communicates with the account servicing payment service provider pursuant to rules set by the Central Bank of Iceland, in accordance with the second paragraph of Article 114.

In accordance with the Act on Data Protection and the Processing of Personal Data, the confirmation referred to in the first paragraph shall consist only in a simple 'yes' or 'no' answer and not be shown in a statement of the account balance. The confirmation shall not allow for the account servicing payment service provider to block funds on the payer's payment account. That answer shall not be stored or used for purposes other than for the execution of the card-based payment transaction.

The payer may request the account servicing payment service provider to communicate to the payer the identification of the payment service provider and the answer provided.

The first to fourth paragraphs do not apply to payment transactions initiated through card-based payment instruments storing electronic money as defined in the Act on the Issuance and Handling of Electronic Money.

D. Payment initiation services and account information services

Art. 66

The payer's right to make use of payment initiation services and account information services

A payer who holds a payment account that is accessible online has the right to make use of payment initiation services, as referred to in point (22)(g) of Article 3, and account information services, as referred to in point (22)(h) of Article 3.

The payer's account servicing payment service provider cannot set as a condition the existence of a contractual relationship between it, on the one hand, and the payment initiation service provider or the account information service provider, on the other hand.

Art. 67

Obligations of the payment initiation service provider for the provision of payment services

The payment initiation service provider must obtain explicit consent from the payer in accordance with points (b) of the first paragraph and (a) of the second paragraph of Article 65 before it can initiate a payment transaction.

In connection with the provision of its services, the payment initiation service provider shall:

- a. ensure that the personalised security credentials of the payment service user are not, with the exception of the user and the issuer of the personalised security credentials, accessible to other parties and that they are transmitted by the payment initiation service provider through safe and efficient channels;
- b. every time a payment transaction is initiated, identify itself towards the account servicing payment service provider of the payer; and
- c. communicate with the account servicing payment service provider, the payer and the payee in a secure way pursuant to rules set by the Central Bank of Iceland, in accordance with the second paragraph of Article 114.

The payment initiation service provider may not hold at any time the payer's funds in connection with the provision of the payment initiation service nor modify the amount, the payee or any other feature of the payment transaction.

Art. 68

Treatment of information and data obtained by the payment initiation service provider

The payment initiation service provider may not use, access or store any data for purposes other than for the provision of the payment initiation service as requested by the payer.

Notwithstanding the first paragraph, a payment initiation service provider may never store sensitive payment data of a payment service user.

The payment initiation service provider may only provide any other information about the payment service user, obtained when providing payment initiation services, to the payee and only with the payment service user's explicit consent.

Art. 69

Obligations of the account servicing payment service provider

The account servicing payment service provider shall, immediately after receipt of the payment order from a payment initiation service provider, provide all information accessible to it regarding the execution of the payment transaction to the payment initiation service provider.

The account servicing payment service provider shall communicate with payment initiation service providers in a secure way pursuant to rules set by the Central Bank of Iceland, in accordance with the second paragraph of Article 114.

The account servicing payment service provider may not discriminate between those who initiate payment orders, whether as a payment initiation provider or as a payer who transmits payment orders directly, except for objective reasons, in particular in terms of timing, priority or charges.

Art. 70

Obligations of the account information service provider

The account information service provider must obtain explicit consent from the payment service user before providing account information services.

The account information service provider may only access the information from designated payment accounts and associated payment transactions.

When providing account information services, the account information service provider shall:

- a. ensure that the personalised security credentials of the payment service user are not, with the exception of the user and the issuer of the personalised security credentials, accessible to other parties;
- b. for each communication session, identify itself towards the account servicing payment service providers of the payment service user; and
- c. securely communicate with the account servicing payment service providers and the payment service user.

The rules laid down by the Central Bank of Iceland pursuant to the second paragraph of Article 114 shall provide details on the implementation of points (a) to (c) of the third paragraph.

Art. 71

Handling of data obtained by the account information service provider

The account information service provider may not use, access or store any data for purposes other than for performing the account information service explicitly requested by the payment service user, in accordance with the Act on Data Protection and the Processing of Personal Data.

Notwithstanding the first paragraph, the account information service provider may not request sensitive payment data linked to the payment accounts.

Art. 72

Obligations of the account servicing payment service provider for secure communications and data requests

In relation to payment accounts, the account servicing payment service provider shall communicate with account information service providers in a secure way pursuant to rules set by the Central Bank of Iceland, in accordance with the second paragraph of Article 114.

The account servicing payment service provider shall treat data requests transmitted through the services of an account information service provider without any discrimination for other than objective reasons.

Art. 73

Denied information on, and access to, a payment account

An account servicing payment service provider may deny an account information service provider or a payment initiation service provider access to a payment account for reasons relating to unauthorised or fraudulent access to the payment account by that provider.

Where an account servicing payment service provider denies an account information service provider or a payment initiation service provider access to a payment account it shall inform the payer that access to the payment account is denied, before access is denied and at the latest immediately thereafter, and the reasons therefor in the form agreed. However, this obligation does not apply where providing such information would compromise the security of a payment account or where otherwise provided for by law.

The account servicing payment service provider shall allow access to the payment account once the reasons for denying access no longer exist.

In cases where the account servicing payment service provider denies access, as referred to in the first paragraph, it shall immediately notify the Financial Supervisory Authority of the denial and its reasoning. The information shall include the relevant details of the case and the reasons for denying access. The Financial Supervisory Authority shall assess each case and take appropriate action if necessary.

The Central Bank of Iceland may adopt detailed rules on the notification referred to in the fourth paragraph.

E. Execution of a payment transaction

Art. 74

Limits on the use of a payment instrument

Where a specific payment instrument is used for the purposes of giving consent for execution of payment transaction, the payer and the payer's payment service provider may agree on spending limits for the payment transactions executed through that payment instrument.

If agreed in the framework contract, the payment service provider may reserve the right to block the payment instrument for objectively justified reasons relating to the security of the payment instrument, the suspicion of unauthorised or fraudulent use of the payment instrument or, in the case of a payment instrument with a credit line, a significantly increased risk that the payer may be unable to fulfil its liability to pay.

The payment service provider shall inform the payer of the blocking of the payment instrument and the reasons for it in an agreed manner as promptly as possible, unless providing such information would compromise the security of the payment instrument or otherwise provided for by law. Where possible, this obligation to give notice shall be fulfilled before use of the payment instrument is blocked, and at the latest immediately after the blocking.

The payment service provider shall unblock use of the payment instrument or replace it with a new payment instrument once the reasons for blocking no longer exist.

Art. 75

Obligations of the payment service user in relation to a payment instrument and personalised security credentials

The payment service user entitled to use a payment instrument shall use the payment instrument in accordance with the terms and conditions of its issue and use, and the terms must be objective, non-discriminatory and proportionate.

Upon receipt of the payment instrument, the user must take necessary precautionary steps to keep its personalised security credentials safe.

The payment service user entitled to use a payment instrument must notify the payment service provider, or other parties specified by the latter, without undue delay on becoming aware of loss, theft or misappropriation of the payment instrument or of its unauthorised use.

Art. 76

Obligations of the payment service provider in relation to payment instruments

The payment service provider issuing a payment instrument must make sure that the personalised security credentials of the payment instrument are not accessible to parties other than the payment service user entitled to use the payment instrument, without prejudice to the obligations on the payment service user in Article 75.

The payment service provider may not send a payment service user an unsolicited payment instrument, except where a new payment instrument is to replace the one already given to the payment service user.

The payment service provider shall bear all the risk of sending to the payer a payment instrument and any type of personalised security credentials related to the payment instrument.

The payment service provider must ensure that a payment service user is able to submit a notification as referred to in the third paragraph of Article 75, free of charge at any time of the day, and to request unblocking of the use of the payment instrument pursuant to the fourth paragraph of Article 74. The payment service provider must also ensure that the user has the means to prove, for 18 months after notification is made by a user pursuant to the third paragraph of Article 75, the user submitted such notification. The payment service provider may only charge a fee for replacement costs directly attributed to the payment instrument

The payment service provider must prevent all use of the payment instrument once notification pursuant to the third paragraph of Article 75 has been made.

Art. 77

Notification and rectification of unauthorised or incorrectly executed payment transactions

The payment service user shall notify the payment service provider without undue delay on becoming aware of any unauthorised or incorrectly executed payment transactions giving rise to a claim for rectification in accordance with this Act, including under Article 93, and no later than 13 months after the debit date. This does not apply, however, if the payment service provider has failed to provide or make available to the payment service user information on the payment transaction in accordance with Chapter IV.

Where a payment initiation service provider is involved, the payment service user shall obtain rectification from the account servicing payment service provider pursuant to the first paragraph, with regard to the second and third paragraphs of Article 79 and the first paragraph of Article 93.

Art. 78

Authentication and execution of payment transactions

Where a payment service user denies having authorised an executed payment transaction or claims that the payment transaction was not correctly executed, it is for user's payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the accounts and not affected by a technical breakdown or some other deficiency.

If the payment transaction is initiated through a payment initiation service provider, the burden shall be on the payment initiation service provider to prove that the payment transaction was authenticated, accurately recorded and not affected by a technical breakdown or some other deficiency.

Where a payment service user denies having authorised the execution of a payment transaction, it depends on the circumstances whether the use of a payment instrument recorded by the payment service provider or, where applicable, the payment initiation service provider is in itself sufficient to prove either that the payment transaction was authorised by the payer or that the payer acted fraudulently or failed with intent or gross negligence to fulfil one or more of the obligations under Article 75. The payment service provider or, where applicable, the payment initiation service provider, shall provide supporting evidence to prove fraud or gross negligence on part of the payment service user.

Art. 79

Payment service provider's liability for unauthorised payment transactions

Where a payment service user claims that a payment transaction is unauthorised, the payer's payment service provider shall, if the conditions of Article 77 are met, refund the payer the amount of the unauthorised payment transaction immediately, and in any event no later than by the end of the following business day, after noting or being notified of the transaction. The payer's payment service provider shall restore the debited payment account to the state in which it was before the unauthorised payment transaction took place. It should be ensured that the credit value date for the payer's payment account is the same date on which the amount was debited. Where the payer's payment service provider suspects fraud it may refuse the repayment and shall, in that case, notify the Financial Supervisory Authority of its suspicions.

Where the unauthorised payment order is initiated through a payment initiation service provider, the account servicing payment service provider shall refund immediately, and in any event no later than by the end of the following business day the amount of the unauthorised payment transaction and, where applicable, restore the debited payment account to the state in which it was before the unauthorised payment transaction took place.

If the payment initiation service provider is liable for the unauthorised payment transaction, it shall immediately compensate the account servicing payment service provider at its request for the losses it incurred or sums it refunded to the payer, including the amount of the unauthorised payment transaction. In accordance with the second paragraph of Article 78, the burden shall be on the payment initiation service provider to prove that the payment transaction was authenticated, accurately recorded and not affected by a technical breakdown or some other deficiency.

Further compensation may be determined for the payer where provided for by the law applicable to the contract concluded between the payer and the payment service provider or the contract concluded between the payer and the payment initiation service provider if applicable.

This provision also applies to electronic money as defined in the Act on the Issuance and Handling of Electronic Money unless the payer's payment service provider is incapable of freezing the payment account or blocking the payment instrument.

The Central Bank of Iceland is entitled to regulate the form of notification where a payment service provider suspects fraud.

Art. 80

Payer's liability for unauthorised payment transactions

Notwithstanding Article 79, the payer shall bear the losses relating to any unauthorised payment transactions, up to a maximum of the equivalent of EUR 50 in ISK based on the official reference rate (central rate) as listed at any given time, when the loss results from the use of a lost or stolen payment instrument or from the misappropriation of a payment instrument.

The first paragraph shall not apply if:

- a. the payer could not detect the loss, theft or misappropriation of a payment instrument and the payer has not acted fraudulently; or
- b. the payer's loss of the payment instrument was caused by acts or lack of action of an employee, agent or outsourcing provider of a payment service provider.

Notwithstanding the first paragraph, the payer shall bear all of the losses relating to any unauthorised payment transactions if they were incurred by the payer acting fraudulently or failing to fulfil one or more of the obligations set out in Article 75 with intent or gross negligence. In such cases, the maximum amount referred to in the first paragraph shall not apply.

Where the payer has neither acted fraudulently nor intentionally failed to fulfil its obligations under Article 75, the nature of the personalised security credentials and the specific circumstances under which the payment instrument was lost, stolen or misappropriated shall be taken into account in determining the amount which the payer must be liable for as referred to in the first and third paragraphs.

Where the payer's payment service provider does not require strong customer authentication, the payer shall not bear any financial losses unless the payer has acted fraudulently. Where the payee or the payment service provider of the payee fails to accept strong customer authentication, it shall refund the financial damage caused to the payer's payment service provider.

The payer shall not bear any losses resulting from use of the lost, stolen or misappropriated payment instrument after the point in time of notification in accordance with the third paragraph of Article 75. This shall not apply, however, where the payer has acted fraudulently.

The payer shall not bear any losses resulting from the use of a payment instrument where the payment service provider does not provide appropriate means for the notification of a lost, stolen or misappropriated payment instrument, as required under the fourth paragraph of Article 76. This shall not apply, however, where the payer has acted fraudulently.

This provision also applies to electronic money as defined in the Act on the Issuance and Handling of Electronic Money unless the payer's payment service provider is incapable of freezing the payment account or blocking the payment instrument.

Art. 81

Authorisation to block funds on a payment account where the transaction amount is not known in advance

Where a payment transaction is initiated by or through the payee in the context of a card-based payment transaction and the exact amount is not known at the moment when the payer gives consent to execute the payment transaction, the payer's payment service provider may block funds on the payer's payment account only if the payer has given consent to the exact amount of the funds to be blocked.

The payer's payment service provider shall release the funds blocked on the payer's payment account under the first paragraph without undue delay after receipt of information about the exact amount of the payment transaction and at the latest immediately after receipt of the payment order.

Art. 82

Refunds for payment transactions initiated by or through a payee

A payer is entitled to a refund from the payment service provider of an authorised payment transaction which was initiated by or through a payee, if the following conditions are met:

- a. the authorisation did not specify the exact amount of the payment transaction when the authorisation was made;
- b. the amount of the payment transaction exceeded the amount the payer could have been expected to afford taking into account the previous spending pattern, the conditions in the framework contract and other circumstances of the case.

At the payment service provider's request, the payer shall provide documentation and proof that the conditions of points (a) and (b) of the first paragraph are considered to be met.

However, for the purposes of point (b) of the first paragraph, the payer may not base a claim for repayment on currency exchange reasons if the reference exchange rate was applied as agreed with its payment service provider in accordance with point (d) of the first paragraph of Article 49 and point (3)(b) of Article 54.

The refund shall consist of the full amount of the executed payment transaction. The credit value date for the payer's payment account shall be the date on which the amount was debited.

In addition to the right referred to in the first to third paragraphs, the payer has an unconditional right to a refund within the time limits laid down in Article 83 for direct debits as referred to in Article

1 of Regulation (EU) No 260/2012 of the European Parliament and of the Council establishing technical and business requirements for credit transfers and direct debits in euro, transposed with Act No 78/2014 on Cross-Border Payments in Euro.

It may be agreed in the framework contract for payment services that the payer has no right to a refund where the payer has given consent to execute the payment transaction directly to the payment service provider and, where applicable, information on the future payment transaction was provided or made available in an agreed manner to the payer at least 4 weeks before the due date by the payment service provider or by the payee.

For direct debits in ISK, it may be agreed in the framework contract for payment services that the payer is entitled to a refund in accordance with the payment service provider's direct debit scheme even though the conditions for refund referred to in the first paragraph are not met.

Art. 83

Handling of requests for refunds for payment transactions initiated by or through a payee

The payer shall request a refund pursuant to Article 82 of an authorised payment transaction initiated through a payee within 8 weeks from the date on which the funds were debited.

The payment service provider shall, within 10 business days of receiving a request as referred to in the first paragraph, either refund the full amount of the payment transaction or provide a justification for refusing the refund and indicate the bodies to which the payer may refer the case in accordance with Articles 102 to 104 if the payer does not accept the justification for the refusal.

The payment service provider's right under the second paragraph to refuse a refund does not apply in the case set out in the seventh paragraph of Article 82.

Art. 84

Receipt of payment orders

The time of receipt of a payment order is when the payment order is received by the payment service provider. The payer's account shall not be debited before receipt of the payment order. If the time of receipt is not on a business day for the payer's payment service provider, the payment order shall be deemed to have been received on the following business day. The payment service provider may establish a cut-off time near the end of a business day beyond which any payment order received shall be deemed to have been received on the following business day.

If the payment service user initiating a payment order and the user's payment service provider agree that execution of the payment order shall start on a specific day, at the end of a certain period or on the day on which the payer has put funds at the payment service provider's disposal, the point of time of receipt for the purposes of Article 81 is considered to be the agreed day. If the agreed day is not a business day, the payment order received shall be understood to have been received on the following business day.

Art. 85

Refusal of payment orders

Where the payment service provider refuses to execute a payment order or to initiate a payment transaction, the payment service user shall be notified of the refusal and, if possible, the reasons for it and the procedure for possible correction of its cause. This shall not apply, however, if otherwise provided for by law.

The payment service provider shall make available the notification pursuant to the first paragraph in an agreed manner at the earliest opportunity, and in any case, no later than within the periods specified in Article 88. The framework contract for payment services may include a condition that the payment service provider may charge a reasonable fee for such a refusal if it complies with law and is objectively justified.

Where all of the conditions set out in the payer's framework contract are met, the payer's account servicing payment service provider may not refuse to execute an authorised payment order irrespective of whether the payment order is initiated by a payer, including through a payment initiation service provider, or by or through a payee. This shall not apply, however, if otherwise provided for by law.

For the purposes of Articles 88 and 93 a payment order for which execution has been refused shall be deemed not to have been received.

Art. 86

Revocation of payment orders

The payment service user may not revoke a payment order once it has been received by the payer's payment service provider, unless the second to fifth paragraphs apply.

Where the payment transaction is initiated by a payment initiation service provider or by or through the payee, the payer may not revoke the payment order after giving consent to the payment transaction.

Notwithstanding the second paragraph, the payer may revoke a direct debit payment order at the latest by the end of the business day preceding the day agreed for debiting the funds.

If the payment service user initiating a payment order and the user's payment service provider agree that execution of the payment order shall be carried out on a specific day, at the end of a certain period or on the day on which the payer has put funds at the payment service provider's disposal, as referred to in the second paragraph of Article 84, the payment service user may revoke the payment order at the latest by the end of the business day preceding the agreed day.

After the time limits specified in the first to fourth paragraphs, the payment order may be revoked only if agreed between the payment service user and the payment service provider. In the case referred to in the second and third paragraphs, the payee's agreement shall also be provided. If agreed in the framework contract, the payment service provider may charge a fee for the revocation of payment orders as provided for in this paragraph.

Art. 87

Amount of a payment transaction

Payment service providers and their intermediaries shall transfer the full amount of all payment transaction. No charges shall be deducted from the amount transferred.

However, the payee and the payee's payment service provider may agree that the payment service provider's charges for payment services may be deducted from the amount transferred before it is credited to the payee. In this case, the full amount of the payment transaction and charges shall be separated in the information provided to the payee.

If any charges other than those referred to in the second paragraph are deducted from the amount transferred, the payment service provider of the payer shall ensure that the payee receives the full amount of the payment transaction from the payer. In cases where the payment transaction is initiated by or through the payee, the payee's payment service provider shall ensure that the full amount of the payment transaction is received by the payee.

F. Execution time and value date of a payment transaction

Art. 88

Payment transactions to a payment account

After the time of receipt as referred to in Article 84, the payer's payment service provider shall ensure that the payment transaction is credited to the account of the payee's payment service provider at the latest by the end of the following business day. That time limit may be extended by 1 business day for paper-based payment transactions.

After receiving the funds, the payee's payment service provider shall value date and ensure that the amount of the payment transaction is available for disposal on the payee's payment account in accordance with Article 91, unless the contracting parties specify another time limit.

The payee's payment service provider shall transmit a payment order to the payer's payment service provider for payment transactions initiated by or through the payee within the time limit for settlement agreed between the payee and the payee's payment service provider. The payment order for direct debit shall be transmitted on the agreed due date.

Art. 89

Absence of payee's payment account with a payment service provider

Where a payee does not have a payment account with the payment service provider, the payment service provider accepting the funds on behalf of the payee must make them available to the payee within the time limit specified in Article 88.

Art. 90

Cash deposited in a payment account

If a payment service user places cash on a payment account with a payment service provider in the currency of that payment account, the payment service provider shall ensure that the amount is made available and value dated immediately after the point of time of the receipt of the funds.

Art. 91

Value date and availability of funds

The credit value date for the payee's payment account is considered to be no later than the business day on which the amount of the payment transaction is credited to the account of the payee's payment service provider.

The payee's payment service provider shall ensure that the amount of the payment transaction is at the payee's disposal immediately after that amount has been credited to the payee's payment service provider's account unless there is:

- a. a currency conversion; or
- b. a currency conversion between EUR and a Member State currency or between two Member State currencies.

The same obligation shall also apply even though the payee and payer have the same payment service provider.

The debit value date for the payer's payment account may not be earlier than the time at which the amount of the payment transaction is debited to that payment account.

G. Liability and the processing of personal data

Art. 92

Incorrect unique identifiers

If a payment order is executed in accordance with the unique identifier, the payment order shall be deemed to have been executed correctly with regard to the payee specified by the unique identifier.

If the unique identifier provided by the payment service user is incorrect, the payment service provider shall not be liable under Article 93 for non-execution or defective execution of the payment transaction.

If payment has occurred, the payer's payment service provider shall seek to recover the funds involved in the payment transaction. In order to do so, the payer's payment service provider shall contact the payee's payment service provider and request all relevant information for the collection of the funds it holds, and the payee's payment service provider is obliged to cooperate. In the event that the payer's payment service provider is unable to collect the funds it shall provide to the payer, upon written request from the payer, all information it has available that is relevant to the payer in order for the payer to file a legal claim to recover the funds. A charge for such efforts by the payer's payment service provider may be agreed upon in the framework contract.

If the payment service user provides information in addition to that required in point (a) of the first paragraph of Article 49 or point (2)(b) of Article 54, the payment service provider shall be liable only for the execution of payment transactions in accordance with the unique identifier provided by the payment service user.

Art. 93

Payment service providers' liability for non-execution or defective execution of payment transactions and directly initiated payment orders

Where a payment order is initiated directly by the payer, the payer's payment service provider shall, without prejudice to Article 77, the second and third paragraphs of Article 92 and Article 97, be liable to the payer for correct execution of the payment transaction. This shall not apply, however, if

the payer's payment service provider can prove to the payer, and, where relevant, the payee's payment service provider that the payee's payment service provider received the amount of the payment transaction in accordance with the first paragraph of Article 88, in which case the payee's payment service provider shall be liable to the payee for the correct execution of the payment transaction.

Where the payer's payment service provider is liable under the first paragraph, it must without undue delay refund to the payer the amount of the non-executed or defective payment transaction and, where applicable, restore the debited payment account to the state in which it would have been had the defective payment transaction not taken place. The credit value date for the payer's payment account shall be the date on which the amount was debited.

Where the payee's payment service provider is liable under the first paragraph, it shall immediately place the amount of the payment transaction at the payee's disposal and, where applicable, credit the corresponding amount to the payee's payment account. The credit value date for the payee's payment account shall be the date on which the amount would have been value dated, had the transaction been correctly executed in accordance with Article 91.

Where a payment transaction is executed late, the payee's payment service provider shall ensure, upon written request from the payer's payment service provider, that the credit value date for the payee's payment account is the same date on which the amount would have been value dated had the transaction been correctly executed.

In the case of a non-executed payment transaction after the payment order is initiated by the payer, the payer's payment service provider shall, on request of the payer and regardless of liability, make immediate efforts to trace the payment transaction and notify the payer of the outcome free of charge for the payer.

Where a payment order is initiated by or through the payee, the payee's payment service provider shall, without prejudice to Article 77, the second and third paragraphs of Article 92 and Article 97, be liable to the payee for correct transmission of the payment order to the payment service provider of the payer in accordance with the third paragraph of Article 88. The payment order shall be transmitted, or as the case may be re-transmitted, to the payer's payment service provider without delay. Where the payee's payment service provider transmits a payment order late, the amount shall be value dated on the payee's payment account the same date on which the amount would have been value dated had the transaction been correctly executed. Similarly, the payment service provider of the payee shall be liable to the payee for handling the payment transaction in accordance with its obligations under Article 91. The amount of the payment transaction shall be at the payee's disposal immediately after that amount is credited to the payee's payment service provider's account. The credit value date for the payee's payment account shall be the date on which the amount would have been value dated, had the transaction been correctly executed.

In the case of a non-executed or defectively executed payment transaction for which the payee's payment service provider is not liable under the fifth and sixth paragraphs, the payer's payment service provider shall be liable to the payer. It must without undue delay refund to the payer the amount in question and, where applicable, restore the payment account to the state in which it was before the debit transaction took place. The credit value date for the payer's payment account shall be the date on which the debit transaction occurred. This obligation shall not apply where the payer's payment service provider proves that the payee's payment service provider has nevertheless received the amount of the payment transaction. In that case, the payee's payment service provider shall value date the amount on the payee's payment account no later than the date the amount would have been value dated had it been executed correctly.

In the case of a non-executed or defectively executed payment transaction where the payment order is initiated by or through the payee, the payee's payment service provider shall, on request of the payee and regardless of liability, trace the payment transaction and notify the payee of the outcome free of charge for the payee.

Payment service providers shall be liable to their payment service users for any charges and for any interest to which the payment service user is subject as a consequence of non-execution or defective, including late execution of the payment transaction in accordance with the first to the eighth paragraphs.

Art. 94

Liability for non-execution or defective execution of a payment order initiated by the payer through a payment initiation service provider

Where a payment order is initiated by the payer through a payment initiation service provider, the account servicing payment service provider shall, without prejudice to Article 77 and the second and third paragraphs of Article 92, refund to the payer the amount of the non-executed or defective payment transaction and, where applicable, restore the debited payment account to the state in which it was before the debit transaction took place.

The burden shall be on the payment initiation service provider to prove that the payment order was received by the payer's account servicing payment service provider in accordance with Article 84 and that within its sphere of competence the payment transaction was authenticated, accurately recorded and not affected by a technical breakdown or other deficiency causing the non-execution, defective or late execution of the transaction.

Where the payment initiation service provider fails to provide the proof mentioned in the second paragraph, it is liable for the defective, non-execution, or late execution of the payment transaction. The payment initiation service provider shall immediately compensate the account servicing payment service provider at its request for the losses incurred or, at least, the amount repaid to the payer.

Art. 95

Additional financial compensation

Any financial compensation additional to that provided for in Articles 92 to 94 may be determined in accordance with law and the contract concluded between the payment service user and the user's payment service provider.

Art. 96

Right of recourse

Where the liability of a payment service provider under Articles 79 and 93 is attributable to another payment service provider or to an intermediary, that payment service provider or intermediary shall compensate the first payment service provider for any losses incurred or sums which it was obliged to pay under Articles 79 and 93. That shall include compensation where any of the payment service providers fail to use strong customer authentication.

Further financial compensation may be determined in accordance with law and with agreements between payment service providers and/or intermediaries.

Art. 97

Abnormal and unforeseeable circumstances

No liability shall arise under Articles 64 to 96 where damages are attributable to abnormal and unforeseeable circumstances beyond the control of the parties, the consequences of which would have been unavoidable despite all efforts to the contrary. The same applies to damages resulting from other laws applicable to the payment service provider.

CHAPTER VI

Data protection, security issues and strong authentication

Art. 98

Processing of personal data

Payment service providers and payment system operators are authorised to process and handle personal data when necessary to prevent, investigate and detect payment fraud. The processing of personal data shall be carried out in accordance with the Act on Data Protection and the Processing of Personal Data and the Act on Processing of Personal Data for Law Enforcement Purposes.

Payment service providers shall only obtain, process and retain personal data necessary for the provision of their payment services, with the explicit consent of the payment service user.

Art. 99

Control mechanism for operational and security risks

Payment service providers shall establish and maintain:

- a. risk-based procedures and control mechanisms to manage the operational and security risks relating to the payment services they provide;
- b. effective incident management procedures, including for the detection and classification of major operational and security incidents;
- c. adequate security measures to protect the confidentiality and integrity of payment service users' personalised security credentials in accordance with the Central Bank of Iceland rules, see the second paragraph of Article 114.

Payment service providers shall provide the Financial Supervisory Authority, at least on an annual basis, an updated and comprehensive assessment of the operational and security risks relating to the payment services they provide and a description of the precautionary measures and control mechanisms implemented in response to those risks.

The Central Bank of Iceland shall adopt detailed rules on the implementation of the provision.

Art. 100

Response to a major operational or security incident

Payment service providers shall, without undue delay, notify the Financial Supervisory Authority of any major operational or security incident.

Where the operational or security incident has or may have an impact on the financial interests of its payment service users, the payment service provider shall, without delay, inform the Financial Supervisory Authority of the incident and of all measures that it has and intends to take to mitigate the adverse effects of the incident.

Upon receipt of the notification referred to in the first paragraph, the Financial Supervisory Authority shall, where appropriate, take all of the necessary measures to protect the safety of the financial system. In addition, the Financial Supervisory Authority shall, without undue delay, provide the relevant details of the incident to the European Banking Authority and to the European Central Bank. The Financial Supervisory Authority shall assess the relevance of the incident to other relevant authorities and shall notify them when necessary.

The Financial Supervisory Authority shall, in cooperation with the European Banking Authority and the European Central Bank, assess the relevance of the incident to other relevant EEA authorities and shall notify them when necessary.

Where the Financial Supervisory Authority is not the recipient of a notification pursuant to the first paragraph but receives a notification similar to that referred to in the fourth paragraph, the Financial Supervisory Authority shall, where appropriate, take all of the necessary measures to protect the safety of the financial system.

Payment service providers shall provide the Financial Supervisory Authority, at least on an annual basis, statistical data on fraud relating to the payment instruments handled by the payment service provider. The Financial Supervisory Authority shall provide the European Banking Authority and the European Central Bank with a summary of the data.

Art. 101

Strong authentication

Payment service provider shall require strong customer authentication where the payer:

- a. wants to access its payment account online;
- b. initiates an electronic payment transaction;
- c. carries out any action through a remote channel which may imply a risk of payment fraud or other abuses.

With regard to the initiation of electronic payment transactions as referred to in point (b) of the first paragraph, payment service providers shall require strong customer authentication that includes elements which dynamically link the transaction to a specific amount and a specific payee in cases of electronic remote payment transactions.

The second paragraph of this Article and point (c) of the first paragraph of Article 99 shall also apply where payment transactions are initiated through a payment initiation service provider. In addition, the first paragraph of this Article and point (c) of the first paragraph of Article 99 shall apply when the information is requested through an account information service provider. Account servicing payment service providers shall enable the payment initiation service provider and the account

information service provider to rely on the authentication procedures provided by the account servicing payment service provider to the payment service user in accordance with the first paragraphs of this Article and point (c) of the first paragraph of Article 99 and, where the payment initiation service provider is involved, in accordance with the second paragraph of Article 99.

CHAPTER VII Supervision, judicial remedies and sanctions

Art. 102

Supervision

The Financial Supervisory Authority shall supervise the implementation of this Act with regard to supervised entities as provided for in the Act on Official Supervision of Financial Activities.

The Financial Supervisory Authority supervises the activities of payment institutions pursuant to Chapter II, including agents, branches and the outsourcing of operational functions of payment services, pursuant to Articles 22 to 26.

The Financial Supervisory Authority, as the competent authority of the host Member State, supervises agents and branches of foreign payment institutions in Iceland, pursuant to Articles 28 and 31. In addition, the Financial Supervisory Authority supervises the provision of payment services in Iceland through branches and agents of institutions established in a Member State outside the European Economic Area, pursuant to Article 29, in respect of third-country institutions.

In other respects, the supervision by the Financial Supervisory Authority shall be as provided for in this Act and the Act on Official Supervision of Financial Activities.

Art. 103

Payment service providers' dispute resolution

Payment service providers shall have specific procedures for the settlement of complaints of payment service users concerning the rights and obligations arising under Chapters IV to VII. These proceedings shall be effective. Payment service providers shall apply those procedures to complaints lodged by payment service users in all Member States where it offers payment services. Information on complaint resolution procedures shall be made available to payment service users in the language of the Member State concerned or in another language if the payment service provider and the user negotiate such language.

The Central Bank of Iceland shall adopt further procedural rules on the resolution of complaints received by payment service providers, such as on deadlines for replying which may generally not exceed 15 business days, delays in handling a complaint and the disclosure of information.

Art. 104

Alternative dispute resolution entity

Payment service users may refer their disputes regarding payment service providers and their appointed representatives, including agents, concerning the rights and obligations arising under Chapters IV to VII to an alternative dispute resolution (ADR) entity in accordance with the Act on Alternative Dispute Resolution for Consumer Disputes.

The Minister may make regulatory provisions requiring an ADR entity settling disputes between payment service users and payment service providers to cooperate with statutory and authorised ADR entities in the European Economic Area for the resolution of cross-border disputes concerning the rights and obligations arising under Chapters IV to VII.

Art. 105

Consumer disclosure requirements of payment service providers and the Financial Supervisory Authority

The Financial Supervisory Authority shall prepare and make available on the Central Bank of Iceland website the electronic leaflet of the European Commission, listing in a clear and easily comprehensible manner, the rights of consumers under Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market and related legislation in the European Economic Area.

Payment service providers shall ensure that the electronic leaflet referred to in the first paragraph is made available on their websites and on paper at their branches, their agents and other entities to which their activities are outsourced. Payment service providers may not charge their clients for making available this information.

Information pursuant to the first and second paragraphs shall be made available to persons with disabilities.

Art. 106

Administrative fines

The Financial Supervisory Authority may impose administrative fines on any party infringing the following provisions of this Act and rules and regulations adopted on its basis:

1. The third paragraph of Article 4 on the obligation to notify the Financial Supervisory Authority without delay of any changes to information previously provided in accordance with the first paragraph of Article 4.
2. The first and second paragraphs of Article 5 on qualifying holdings.
3. The first paragraph of Article 6 prohibiting pursuit of activities subject to authorisation without authorisation.
4. Article 7 on initial capital.
5. Articles 8 and 9 on the own funds and calculation of own funds of a payment institution.
6. Article 10 on the safeguarding of funds.
7. Article 11 on the suitability of the board of directors, managing directors and other managers.
8. Article 15 on accounting and statutory audit.
9. The sixth paragraph of Article 16 on other activities.
10. The first and third to fifth paragraphs of Article 17 on the provision of payment services through agents or by establishing a branch.
11. The first to third and fifth paragraphs of Article 18 on outsourcing of operational functions of payment services.
12. Article 19 on good practices and professional secrecy.
13. The second paragraph of Article 20 on the obligation to ensure that third parties, to whom specific operational functions of payment services have been outsourced, take suitable measures to ensure compliance with this Act.
14. Article 21 on record-keeping.
15. The first paragraph of Article 23 on the activities of payment institutions abroad without the establishment of a branch or an agent.
16. The first and fifth to seventh paragraphs of Article 24 on the activities of payment institutions abroad by establishing a branch.
17. The first and fifth to seventh paragraphs of Article 25 on providing services abroad through an agent.
18. The first paragraph of Article 26 on activities outside the European Economic Area.
19. The first paragraph of Article 29 on the establishment of a branch or provision of services through an agent in Iceland on behalf of an institution outside the European Economic Area.
20. Article 34 on payment institutions with limited authorisation.
21. Article 36 on access to payment systems.
22. Article 37 on access to accounts maintained with a credit institution.
23. The first paragraph of Article 38 on the exclusive right to provide payment services in Iceland.
24. The second paragraph of Article 38 on the obligation to communicate information to the Financial Supervisory Authority.
25. Article 42 on charges.
26. Article 45 on currency and currency conversion.
27. The first and second paragraphs of Article 46 on information on additional charges or reductions.
28. The first to fourth paragraphs of Article 48 on information disclosure before a payment service user is bound by a contract or offer for single payment transactions.

29. Article 49 on the information and conditions of service in connection with single payment transactions
30. Article 50 on payment initiation service providers' disclosure requirements after the initiation of a payment order.
31. Article 51 on information disclosure to the payer after receipt of the payment order for a single payment transaction.
32. Article 52 on information disclosure to the payee after execution of a single payment transaction.
33. The first to third paragraphs of Article 53 on general information disclosure before a payment service user is bound by a contract or offer for payment transactions under a framework contract.
34. Article 54 on the information and conditions of service in connection with payment transactions covered by framework contracts.
35. Article 55 on the accessibility of information and conditions of a framework contract.
36. Article 56 on changes in conditions of a framework contract.
37. Article 57 on termination of a framework contract.
38. Article 58 on information disclosure before execution of individual payment transactions under a framework contract.
39. Article 59 on information disclosure to the payer on individual payment transactions covered by a framework agreement.
40. Article 60 on information disclosure to the payee on individual payment transactions covered by a framework agreement.
41. Article 62 on charges.
42. The first, third and fourth paragraphs of Article 65 on confirmation on the availability of funds.
43. The second paragraph of Article 66 on payer's right to make use of payment initiation services and account information services.
44. Article 67 on the obligations of the payment initiation service provider for the provision of payment services.
45. Article 68 on the treatment of information and data obtained by the payment initiation service provider.
46. Article 69 on the obligations of the account servicing payment service provider.
47. Article 70 on the obligations of the account information service provider.
48. Article 71 on the handling of data obtained by the account information service provider.
49. Article 72 on the obligations of the account servicing payment service provider for secure communications and handling data requests.
50. The second to fourth paragraphs of Article 73 on when an account servicing payment service provider can deny information on, and access to, a payment account.
51. The third to fourth paragraphs of Article 74 on limits on the use of a payment instrument.
52. The second paragraph of Article 81 on the obligation to release blocked funds without undue delay.
53. The first to third paragraphs of Article 85 on the refusal to execute payment orders.
54. The third to fourth paragraphs of Article 86 on the revocation of payment orders.
55. Article 87 on the amount of a payment transaction.
56. Articles 88 to 91 on the execution time and value date of a payment transaction.
57. Article 93 on payment service providers' liability for non-execution or defective execution of payment transactions and directly initiated payment orders.
58. The first and second paragraphs of Article 99 on control mechanisms for operational and security risks.
59. The first and second paragraphs of Article 100 on the response to a major operational or security incident.
60. Article 101 on strong authentication.

Fines imposed on natural persons may be from ISK 100 000 to ISK 65 million. Fines imposed on legal persons may be from ISK 500 000 to ISK 800 million but can be higher and may amount to as

much as 10 % of the legal person's total turnover according to its last approved financial statement or 10% of the last approved consolidated financial statement if the legal person is part of a group.

When determining fines under this provision, all relevant circumstances shall be taken into account, including:

- a. the gravity of the breach;
- b. the duration of the breach;
- c. the liability of the offender,
- d. the financial position of the offender, in particular by reference to the total annual turnover of the legal person or the annual income of a natural person;
- e. the benefit derived from the breach, or the losses avoided by the breach;
- f. whether the breach resulted in a loss for a third party;
- g. all types of potential systemic consequences of the breach;
- h. the willingness of the offender to cooperate;
- i. previous breaches and whether these are repeated breaches; and
- j. the measures taken by the offender to prevent a repeated breach.

Notwithstanding the second paragraph, the maximum administrative fine imposed on a legal or natural person may amount to as much as twice the financial benefit derived from the breach or the losses avoided by the breach.

Decisions on administrative fines are enforceable by law. Fines shall accrue to the Treasury after deducting the cost of their collection. If administrative fines are not paid within 1 month of a decision by the Financial Supervisory Authority, penalty interest shall be paid on the amount of the fine. The Act on Interest and Indexation shall apply to decisions and calculation of penalty interest.

Administrative sanctions shall be imposed regardless of whether infringements are committed with intent or through negligence.

Art. 107

Settlement.

Where a party has infringed the provisions of this Act, rules or regulations adopted on its basis or decisions of the Financial Supervisory Authority taken on its basis, the Authority may conclude the case through a settlement with the party's agreement, provided the breach is not a major offence subject to criminal sanctions. The settlement is binding when the party has approved and confirmed its substance by signature.

The Central Bank of Iceland will adopt rules on the implementation of this Article.

Art. 108

The rights of suspects and culpability

In a case against a natural person which may be concluded by the imposition of an administrative fine or charges to the police, any person reasonably suspected of having infringed the law shall have the right to refuse to answer questions or to surrender documentation or objects, unless the possibility can be excluded that this may be of significance for determining the person's offence. The Financial Supervisory Authority shall inform the suspect of this right.

Art. 109

Time limit to impose administrative sanctions

The authorisation of the Financial Supervisory Authority to impose administrative sanctions under this Act shall expire when 5 years have passed since the conduct in question ended.

The time limit provided for in the first paragraph shall be suspended when the Financial Supervisory Authority notifies a party of the initiation of an investigation of an alleged infringement. Suspension of the time limit shall have legal effect on all parties involved in a breach.

Art. 110

Fines or imprisonment

Unless more severe punishment is provided for in other Acts, infringement of the following provisions of this Act and rules and regulations adopted on its basis are punishable by fines or imprisonment of up to two years:

1. The first paragraph of Article 6 prohibiting pursuit of activities subject to authorisation without authorisation.
2. Articles 8 and 9 on the own funds and calculation of own funds of a payment institution.
3. Article 15 on accounting and statutory audit.
4. The second paragraph of Article 19 on professional secrecy.
5. The first paragraph of Article 38 on the exclusive right to provide payment services.

The same penalties also apply to deliberately giving incorrect or misleading information on the financial position or other aspects of a payment service provider, either publicly or to the Financial Supervisory Authority, other public entities or payment service users.

Breaches of this Act that are punishable by fines or imprisonment shall be punishable whether committed intentionally or through negligence.

Any direct or indirect gain acquired through an infringement of the provisions of this Act that is punishable by fines or imprisonment may be confiscated by court order.

Attempted infringement or accessory to infringement of this Act is punishable under the General Penal Code.

A legal person may be fined for infringement of this Act and the rules adopted on its basis regardless of whether a specific representative of the legal person, its employee or any other person acting on its behalf is proven guilty. Any procedural representative of the legal person, employee or any other person acting on its behalf who infringes this Act or rules adopted on its basis in a culpable manner may be punished, and the legal person may also be fined.

Art. 111

Charges to the police

Infringement of this Act shall only be subject to police investigation following charges from the Financial Supervisory Authority.

If an alleged infringement of this Act is punishable by both administrative fines and penal measures, the Financial Supervisory Authority shall assess whether to bring charges to the police or conclude the case with an administrative decision by the Authority. The Financial Supervisory Authority should refer major offences to the police. An infringement is considered a major offence if it involves substantial amounts and if the infringement has been committed in an especially reprehensible manner or under circumstances which greatly increase the culpability of the breach. Furthermore, the Financial Supervisory Authority may, at any stage of the investigation, refer infringement of this Act to the police for investigation. Care shall be taken to ensure consistency in resolving comparable cases.

The complaint by the Financial Supervisory Authority shall be accompanied by copies of the documentation supporting the suspicion of a breach. Chapters IV to VII of Act No 37/1993 on Administrative Procedures shall not apply to a decision by the Financial Supervisory Authority to report complaints to the police.

The Financial Supervisory Authority may provide the police and prosecution authority with information and documentation which the Financial Supervisory Authority has acquired and is connected with the breaches referred to in the second paragraph. The Financial Supervisory Authority may participate in actions by the police concerning the investigation of the breaches referred to in the second paragraph.

The police and prosecution authority may provide the Financial Supervisory Authority with information and documentation which they have acquired and is connected with the breaches referred to in the second paragraph. The police may participate in actions by the Financial Supervisory Authority concerning the investigation of the breaches referred to in the second paragraph.

If the prosecutor is of the opinion that there is insufficient cause for bringing suit concerning alleged criminal offence which furthermore is punishable by administrative sanctions, it may refer or return the case to the Financial Supervisory Authority for handling and a decision.

Art. 112

Publication of administrative sanctions

The Financial Supervisory Authority shall, without delay, publish on its website any finding to impose administrative sanctions for infringement of this Act after notification to the offender of the

decision of the Authority. The published finding shall include at least information on the type and nature of the infringement and the name of the offender.

Where the Financial Supervisory Authority considers the publication of the name of the offender, other legal persons or natural persons identified in the Financial Supervisory Authority's finding to be inconsistent with the principle of proportionality in administrative law or the legal principles covering personal data protection, or where publication may jeopardise the stability of financial markets or an on-going investigation, the Financial Supervisory Authority may:

- a. defer the publication of the finding until the moment where the reasons for non-publication cease to exist; or
- b. publish the finding without naming the offender or other legal persons or natural persons identified in the Financial Supervisory Authority's decision.

The Financial Supervisory Authority may decide not to publish a finding if the Authority considers that disclosure pursuant to the second paragraph may jeopardise the stability of financial markets or an on-going investigation.

In the event of anonymous publication of a finding pursuant to point (b) of the second paragraph, the Financial Supervisory Authority is entitled to disclose the relevant name when the reasons for anonymity no longer apply.

Where action is brought before the courts to appeal the Financial Supervisory Authority's decision to impose a sanction for infringement, the Financial Supervisory Authority shall publish such information on its website. The Financial Supervisory Authority shall furthermore publish information on the outcome of such appeal at each judicial instance. Where the Financial Supervisory Authority reverses its decision to impose a sanction, the Authority shall publish such information on its website.

Findings to impose administrative sanctions for infringement of this Act shall be published on the Financial Supervisory Authority's website for at least 5 years.

The Financial Supervisory Authority shall publish on its website the policy the Authority follows when publishing information under this Article.

CHAPTER VIII

Entry into force, regulatory acts, amendments to other acts of law etc.

Art. 113

Incorporation

This Act incorporates Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and amending Regulation (EU) No 1093/2010 and repealing Directive 2007/64/EC as incorporated in the Agreement on the European Economic Area by Decision of the EEA Joint Committee No 165/2019 of 14 June 2019.

Art. 114

Rules and regulation

The Minister may issue regulations containing further provisions on the execution of Directive (EU) 2015/2366 of the European Parliament and of the Council, regarding for instance:

1. Technical requirements on development, operation and maintenance of the electronic central register, see Article 14, and on access to the information contained therein. The technical requirements shall ensure that modification of the information is only possible by the Financial Supervisory Authority and the European Banking Authority.
2. Exchange of information and cooperation between the Financial Supervisory Authority and the competent authorities of the home and host Member State in respect of payment institutions operating on a cross-border basis.

The Central Bank of Iceland shall adopt detailed rules for strong authentication, in accordance with Article 97 of Directive (EU) 2015/2366 of the European Parliament and of the Council.

The Central Bank of Iceland may adopt detailed rules for the appointment of a central contact point and its role pursuant to Article 29(5) of Directive (EU) 2015/2366 of the European Parliament and of the Council.

Art. 115

Entry into force.

This Act shall enter into force on 1 November 2021.

Art. 116

Conflict of law

Payment institutions authorised on the basis of Act No 120/2011 on Payment Services, must submit to the Financial Supervisory Authority, by 1 January 2022, the relevant information for it to assess whether the payment institution complies with the requirements laid down in Chapters II and III. Where those conditions are not met, the Financial Supervisory Authority is required to communicate to the payment institution whether it intends to withdraw the authorisation or what measures the payment institution must take to ensure that it complies with this Act.

The Financial Supervisory Authority shall automatically grant authorisation to any payment institution that complies with the requirements of Chapters II and III and enter it in the register of payment institutions pursuant to Article 14.

Should a payment institution fail to comply with the requirements of Chapters II and III by 1 April 2022, after being given time to take appropriate measures pursuant to the first paragraph, the Financial Supervisory Authority shall prohibit it from providing payment services in accordance with the first paragraph of Article 38.

Any payment institution with a limited authorisation pursuant to Article 27 of Act No 120/2011 on Payment Services, must have applied no later than 1 May 2022 for a continued limited authorisation or authorisation as a payment institution with the Financial Supervisory Authority. If the payment institution does not comply with the requirements of Chapters II and III or the exemption provided for in Article 34 by 1 May 2022, the Financial Supervisory Authority shall prohibit it from providing payment services.

Any service provider that has before the entry into force of this Act offered the services described in point (14) of Article 2 and will continue to do so shall, no later than 1 February 2022, submit to the Financial Supervisory Authority the information required by points (a) and (b) of the first paragraph of Article 39.

Electronic money institutions authorised on the basis of the Act on the Issuance and Handling of Electronic Money must communicate to the Financial Supervisory Authority, by 1 January 2022, the relevant information for it to assess whether the electronic money institution complies with the requirements laid down in Chapter III of that Act. Where those conditions are not met, the Financial Supervisory Authority is required to communicate to the payment institution whether it intends to withdraw the authorisation or what measures the electronic money institution must take to ensure that it complies with that Act.

The Financial Supervisory Authority shall automatically grant authorisation to any electronic money institution that complies with the requirements of Chapter III of the Act on the Issuance and Handling of Electronic Money and enter it in the register of electronic money institutions.

Should an electronic money institution fail to comply with Chapter III of the Act on the Issuance and Handling of Electronic Money by 1 April 2022, after being given time to take appropriate measures, the Financial Supervisory Authority shall prohibit it from providing services relating to the issuance and handling of electronic money.

Art. 117

Amendments to other acts of law.

...

Interim provisions

The rules that the Central Bank of Iceland is to issue pursuant to the second paragraph of Article 114 shall be published on the Bank's website by 1 November 2021 and shall be submitted for legal publication no later. At the same time, the test environment for the network interfaces of account servicing payment service providers shall be ready.