ACT
on Resolution of Credit Institutions and Investment Firms
no. 70/2020

26 June 2020

This is a translation of the authoritative Icelandic text. In the event of any discrepancies between the translation and the original Icelandic text, only the original is authentic.

Entered into force on 1 September 2020; implemented according to instructions in Article 102. *Amended with:* Act no. 38/ 2021 (entered into force on 21 May 2021; *EEA Agreement:* Annex XXII to Directive 2014/59 / EU Annex IX to Directive 2017/ 2399 Act no. 116/2021 (entered into force on 1 Sept. 2021; for applicable laws, see Article 136; EEA Agreement: Annex IX to Directive 2007/16/EC, 2009/65/ EC, 2013/14/ EU, 2014/91/ EU, 2010/78/ EU). Act no. 38/ 2022(entered into force on 1 July 2022, except for Article 76, Article 82(a), Article 177(d), Article 206(d) and Article 65, which take effect according to the instructions in Article 215. *EEA Agreement:* Annex IX to Regulation 575/2013, 2015/62, 2016/1014, 2017/2188, 2017/2395, 2019/630, 2019/876, 2020/873). Act no. 48/2022 (entered into force on 8 July 2022, except for item (a) of Article 6, which enters into force on 1 January 2023; *EEA Agreement:* Annex IX of regulations 2015/63, 2016/1434).

Any mention in this Act of the 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 Affair**, which administers this Act.

Section 1
General provisions
CHAPTER I
Objective, scope and definitions

Article 1
Objective.

The purpose of this Act is to preserve financial stability and minimize the negative consequences of financial shocks by protecting guaranteed deposits and investors, customers' assets and the critical functions of companies, and minimizing the risk of the need to make financial contributions from the Treasury.

Article 2
Scope.

This Act shall apply to:

a. Credit institutions and investment firms.

b. Financial institutions if they are subsidiaries of an undertaking pursuant to point (a) or holding companies pursuant to points (c) or (d) and are subject to the supervision of the parent company on a consolidated basis.

c. Financial holding companies, mixed holding companies and mixed financial holding companies.

d. Mixed parent financial holding companies in Member States, mixed parent financial holding companies in the European Economic Area, parent financial holding companies in a Member State and parent financial holding companies in the European Economic Area.

e. Branches operated in Iceland by credit institutions and investment firms established in countries outside the European Economic Area, provided that the conditions of this Act are met.

This Act does not apply to Municipality Credit Iceland Plc. (Lánasjóður sveitarfélagi ohf.) and the Institute of Regional Development (Byggðastofnun).

[Article 2(a).

Adoption into law.

Provisions of Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to contributions paid in advance for financing arrangements for resolution proceedings, with an amendment of Commission Delegated Regulation (EU) 2016/1434 of 14 December 2015, amending Delegated Regulation (EU) 2015/63, supplementing Directive 2014/59/EU of the European Parliament and of the Council regarding contributions paid in advance as financing arrangements for resolution proceedings, shall have legal force in Iceland with the adjustments resulting from the EEA Joint Committee's decision no. 237/2019 of 27 September 2019, cf. also Protocol 1 to the Agreement on the European Economic Area, cf. Act no. 2/1993 on the European Economic Area, where the protocol is implemented.

Regulation (EU) 2015/63 is published on pages 49-69 of the EEA supplement to the Official Journal of the European Union no. 8 from 10 February 2022. Regulation (EU) 2016/1434 is published on pages 13-15 of the EEA supplement to the Official Journal of the European Union no. 8 from 10 February 2022.][1)]

[1)]Act no. *48/2022, Art. 1.*

Article 3

Definitions.

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

1. Member State: a state which is a member of the European Economic Area (EEA), the European Free Trade Association (EFTA) or the Faroe Islands.

2. Failure: An undertaking or entity is failing or likely to fail if:

a. its operating licence may be revoked or can be expected to be revoked in the near future,

b. it is or can be expected to become insolvent in the near future, or

c. it requires special government financial support, unless it is necessary to prevent or remedy an economic shock and consists of:

1. a state guarantee from the Central Bank's liquidity provisions in accordance with its terms or newly issued liabilities, or

2. a capital contribution or the purchase of financial instruments on market terms that are required to meet the capital requirement which a stress test, asset quality assessment or other comparable examinations by public bodies reveal, provided that there are no circumstances pursuant to points (a) or (b) of these items or the first paragraph of Art.27.

3. *Mixed holding company*: A parent company that is not a financial holding company, a credit institution, an investment firm or a mixed financial holding company where at least one subsidiary is a financial undertaking.

4. Mixed financial holding company: A parent company which is not subject to supervision, but which together with its subsidiaries, at least one of which is subject to supervision and has its headquarters in a Member State, and other entities form a financial conglomerate.

5. Mixed parent financial holding company in the European Economic Area: A mixed financial holding company in a Member State that is neither a subsidiary of a credit institution nor an investment firm licensed in any Member State nor a subsidiary of a financial holding company or a mixed financial holding company in any Member State.

6. Mixed parent financial holding company in the European Economic Area: A mixed financial holding company which is neither a subsidiary of a credit institution nor an investment firm licensed in the same Member State nor a subsidiary of a financial holding company or a mixed financial holding company in the same Member State.

7. Bridge institution: A legal entity under the control of a resolution authority, which is at least partly owned by a public entity or a resolution fund and is intended to maintain access to critical functions, which are transferred pursuant to Art. 46 until it is sold.

8. Supervision on a consolidated basis: Supervisory authority in the European Economic Area responsible for carrying out supervision on a consolidated basis of one of the following undertakings:

a. Parent company in the European Economic Area.

b. A credit institution controlled by a parent financial holding company in the European Economic Area.

c. A credit institution controlled by a mixed parent financial holding company in the European Economic Area.

d. an investment firm controlled by a parent financial holding company in the European Economic Area.

e. an investment firm controlled by a mixed parent financial holding company in the European Economic Area.

9. Supervisory authority: The institution or authority entrusted by national law to supervises credit institutions and investment firms, and this supervision is part of the supervisory activities of the Member State concerned.

10. Financial holding company: A financial institution, which is not a mixed financial holding company where the subsidiaries are either exclusively or primarily credit institutions, investment firms or financial institutions and at least one subsidiary is a credit institution or an investment firm.

11. Holdings: Stocks or shares or other instruments that indicate ownership, instruments that can be converted into or grant the right to shares or holdings and instruments that confer the right to dividends on shares or holdings.

12. Asset management company: A legal entity controlled by the resolution authority, which is at least partly owned by a public entity or a resolution fund and is intended to price the assets, rights and liabilities which are transferred pursuant to Art. 51.

13. Entity: A financial institution pursuant to the first paragraph (b) of Article 2 or a holding company according to point (c) or (d) of Article 2 (1).

14. Member: Owner of shares in an undertaking or entity.

15. Financial agreement: A contract or agreement that has financial value for the parties, including securities-related contracts, commodity derivatives, futures, forward contracts, swap agreements, interbank borrowing agreements with a term of less than

three months and framework agreements for all of the above types of contracts.

16. Financial institution: An undertaking other than a financial undertaking whose principal activity is to acquire holdings or to carry out one or more of the activities referred to in items 12 and 15 of Article 20(1) of the Financial Undertakings Act, including financial holding companies, mixed holding companies, alternative investment funds, [UCITS management companies] [1)] and payment institutions within the meaning of the Act on Payment Services, with the exception of holding companies in the insurance sector as they are defined in the Act on Insurance Activities.

17. *Undertakings:* Credit institution or investment firm.

18. *[Bail-inable]*[2)] *liability:* A financial instrument or liability that is not considered common Tier I equity, Additional Tier I equity or Tier 2 according to the Act on Financial Undertakings and is not excluded from bail-in tools according to Article 56 (1).

[19. *Eligible liabilities:* A bail-inable liability that fulfils the conditions of the second paragraph of Art.17 and an instrument that is considered Tier 2 capital according to the Financial Undertakings Act and meets the conditions of item (b) of the first paragraph of Article 72(a) of Regulation (EU) no. 575/2013.][2)]

[20.][2)] Core operations: The operations of a credit institution, investment firm or a group that accounts for a significant part of its operating income, profits or brand income.

[21.][2)] [*Credit institution:* An undertaking that accepts deposits or other repayable funds from the public and provides loans for its own account.][2)]

[22.][2)] *Important branches:* Branches as defined in the Financial Undertakings Act and which fulfil at least one of the following conditions:

a. Has more than a 2% market share of deposits in the host country.

b. The closure of the branch would have a significant effect on liquidity in circulation, payment systems and securities settlement systems in the host country.

c. The number of customers, size and importance of the branch are important for the financial system of the host country.

[23.][2)] *Parent financial holding company in the European Economic Area:* Financial holding company in a Member State that is neither a subsidiary of a credit institution nor an investment firm licensed in any Member State nor a subsidiary of a financial holding company or a mixed financial holding company in any Member State.

[24.][2)] *Parent financial holding company in a Member State:* A financial holding company which is neither a subsidiary of a credit institution nor an investment firm licensed in the same Member State nor a subsidiary of a financial holding company or another mixed financial holding company in the same Member State.

[25.][2)] *Parent company in the European Economic Area:* A financial holding company or investment firm which is located in a Member State and is neither a subsidiary of a credit institution nor an investment firm licensed in any Member State nor a subsidiary of a financial holding company or a mixed financial holding company in any Member State.

[26.][2)] *Parent company in a Member State:* A credit institution or investment firm in a Member State that meets all of the following conditions:

a. Has a subsidiary that is a credit institution, investment firm or financial institution.

b. Has a holding in a credit institution, investment firm or financial institution, according to which one of the above companies is considered an associate company owned by the credit institution or investment firm.

c. Is not a subsidiary of a credit institution or an investment firm licensed in the same Member State.

d. Is not a subsidiary of a financial holding company or a mixed financial holding company located in the same Member State.

[27.][2)] *Parent company at the top level of a group in the European Economic Area.* A parent company that is a parent company in the European Economic Area, a parent financial holding company in the European Economic Area or a mixed parent financial holding company in the European Economic Area.

[28.][2)] *Critical functions:* Activities, services or operations that are so important to the real economy or financial stability that there would be a significant risk of disruption of economic activity or stability if they were discontinued, due to their scale, market share, links with other activities, complexity or cross-border activities, provided no comparable activities, services or operations are available.

[29.][2)] *Group-level resolution authority:* An authority responsible for the preparation and execution of resolution proceedings in a Member State in which the supervision on a consolidated basis is located.

[30.][2)] *Special government financial support:* Any kind of assistance pursuant to Chapter 2 of Part IV of the Act on the European Economic Area or other financial support that could be equated to state aid, if provided for the purpose of preserving or rebuilding the operability, liquidity or solvency of the undertaking, entity or group of which the company or entity is a part.

[31.][2)] *Resolution action:* Decision to place an undertaking or entity under resolution proceedings, to apply one or more resolution measures pursuant to Chapter X or powers of resolution pursuant to Chapters IX, XI or XII.

[32.][2)] *Powers of resolution:* All powers pursuant to Chapters IX, XI or XII.

[33.][2)] *Resolution authority:* An authority responsible for the preparation and execution of resolution proceedings.

[34.][2)] *Resolution tools:* Resolution authority measures pursuant to Chapter X. The resolution tools are the following:

a. Bail-in tool: Write-down or conversion of the liabilities of the undertaking or entity under resolution proceedings, cf. part E of Chapter X.

b. Sales operations: Sale of holdings issued by an undertaking or entity under resolution proceedings or assets, rights and liabilities of an undertaking or entities under resolution proceedings to a buyer that is not a bridge institution, cf. Part B of Chapter X.

c. Transfer to a bridge institution: Transfer of holdings issued by an undertaking or entity under resolution proceedings or the assets, rights or liabilities of an undertaking or entities under resolution proceedings to a buyer that is not a bridge institution, cf. Part C of Chapter X.

d. Asset separation tool: Transfer of assets, rights or liabilities of an undertaking or entities under resolution proceeding to an asset management company, cf. Part D of Chapter X.

[[35.][2)] *Debt instruments*: Bonds and other transferable debts, instruments that create a debt or recognise a debt and instruments that give the right to acquire debt instruments.][3)]

[36.][2)] *Guaranteed deposit:* Guaranteed deposit within the meaning of the Act on Deposit Guarantees and Investor Compensation Schemes.

[37.][2)] *Eligible deposit:* Deposits eligible for guarantees within the meaning of the Act on Deposit Guarantees and Investor Compensation Schemes.

[38.][2)] *Investment firm:* Investment firm within the meaning of the Act on Financial Undertakings with initial capital pursuant to Article14(2) of the same act.

[39.][2)] *Relevant financial instrument:* A financial instrument that is considered

Additional Equity Tier 1 or Equity Tier 2 according to the Act on Financial Undertakings.

[40.][2] *Micro, small and medium-sized enterprises:* Companies whose annual turnover does not exceed the equivalent of EUR 50 million in Icelandic krónur.

The Minister may establish more detailed provisions in a regulation[2] regarding the definitions of the terms “critical functions” and “core operations”.

Act no. 116/2021 Art.137. [2] Act no. *38/2022, Art. 183.* [3] Act no. *38/2021, Art. 1.* [4] Reg. *95/2021, cf. 867/2022.*

CHAPTER II
Administration, activities, litigation, etc.

Article 4
Role and function of the Central Bank of Iceland.

The Resolution Authority, which is part of the Central Bank of Iceland, is responsible for the implementation of this Act, cf. Article 5 (2). The Resolution Authority shall be separated from other activities in the Bank’s organisation.

Decisions on whether an undertaking, entity or group is considered operable according to Article 27 and whether an undertaking or entity is failing or likely to fail according to Article 34 shall be taken by the Financial Supervisory Authority.

Decisions on a resolution plan and resolvability pursuant to Chapter III on Minimum Requirement for Own Funds and Eligible Liabilities pursuant to Chapter IV and on the evaluation of a plan for the restructuring of operations pursuant to Article 60 shall not be taken without prior consultation with the Financial Supervisory Authority.

The Central Bank of Iceland shall set rules[1] on the implementation of this Article, including on confidentiality and information exchange within the bank.

1) Reg. 1733/2021.

Article 5
Function and tasks of the minister.

Decisions that may have a direct impact on the Treasury or systemic effects, including the write-down and conversion of financial instruments, pursuant to Chapter VI and resolution proceedings of companies or entities pursuant to Article 35, will not be taken without the approval of the minister.

The minister makes decisions on government financial stabilisation measures pursuant to Chapter XIII.

The Minister shall be regularly informed of decisions pursuant to this Act. The Minister may require the Central Bank of Iceland to provide information which the Minister deems necessary for decisions pursuant to this Act.

Article 6
Decisions. Litigation.

Decisions under this Act are final administrative rulings.

A party that is unwilling to accept a decision made under this act may take legal action before the courts of law. Such action shall be brought within three months of the notification of the decision. Litigation does not suspend the legal effect of the decision.

A decision on the valuation of assets and liabilities pursuant to Chapter VII and on resolution proceedings and the application of resolution actions pursuant to Section 3 shall

enter into force and be implemented immediately. The provisions of Chapters IV-VII of the Administrative Procedures Act do not apply to procedures and decisions of the Resolution Authority for decisions under the first sub-paragraph.

It may be decided that other decisions under this Act, including actions due to deficiencies in resolvability pursuant to Article 15 and write-downs and the conversion of financial instruments pursuant to Chapter VI, enter into force and be implemented immediately.

The provisions of Chapters IV-VII of the Administrative Procedures Act do not apply to procedures and decisions of the Resolution Authority under the first sub-paragraph. If a dispute arises in a court regarding resolution actions pursuant to Section 3, such a case shall be expedited by the courts.

If a party has in good faith purchased shares, assets, rights or liabilities of an undertaking or entities under resolution proceedings on the basis of decisions pursuant to the third paragraph, the invalidation of a decision by a court shall not affect subsequent actions or measures based on the invalidated decision. In such a case, the person who suffered damage as a result of the invalid decision can only claim damages for the loss caused by the decision.

Article 7

Obligation to disclose information.

Natural and legal persons are obliged to provide the Resolution Authority with all the information and documents that it deems necessary in connection with the implementation of this Act. In this context, it is irrelevant whether the Information concerns the entity the request has been directed at or whether it concerns another entity, which it can provide information on.

Provisions of law concerning confidentiality do not restrict the obligation to provide information and access to data. However, this shall not apply to information obtained by legal professionals in the course of ascertaining the legal position of their client, including advice on instituting or avoiding proceedings, or information obtained before, during or after the conclusion of judicial proceedings, if the information is directly related to such proceedings.

Article 8

Confidentiality.

Authorities, resolution authorities, bridge institutions, asset management companies and others involved in the implementation of this Act are bound by an obligation of confidentiality regarding everything that concerns the implementation of the Act, as well as other matters which they may become privy to during the course of their duties, which is subject to professional secrecy in accordance with the law or the nature of the case, unless they are ordered to disclose information to a court of law or to the police. The same applies to specialists, contractors, potential buyers of the holdings or assets of an undertaking or entity which the Resolution Authority contacts and others who work for or on its behalf. The obligation of confidentiality remains even after employment ceases.

All those who fall under the obligation of confidentiality according to the first paragraph are not permitted to use confidential information which they come across as a result of the implementation of this Act, including for the purpose of profiting from or avoiding financial loss in business.

The Central Bank of Iceland is authorised to disseminate information that is subject to an obligation of confidentiality pursuant to the first paragraph to parties that are subject to an obligation of confidentiality pursuant to the first paragraph, resolution authorities and supervisory authorities of other Member States, the EFTA Surveillance Authority and the European Banking Authority, provided that this is in accordance with the statutory role of the

Bank or the recipient.

The authorities involved in the implementation of this Act, the Depositors' and Investors' Guarantee Fund [for financial undertakings][1)], the bridge institution and the asset management company shall establish procedures for the handling of information that is subject to confidentiality pursuant to the first paragraph.

Act no. *48/2022, Art. 2.*

Section 2

Preventive measures and preparation of resolution proceedings.

CHAPTER III

Resolution plan and resolvability.

Article 9

The resolution plan of a credit institution and investment firm.

The Resolution Authority shall make a resolution plan for companies, which shall, among other things, include the following items:

1. The resolution actions which can be taken towards an undertaking if conditions for the resolution proceedings according to Article 35(1) are fulfilled.

2. Scenarios that, among other things, assume that an undertaking's operational difficulties are due to events that only apply to the company in question, are the result of instability in financial markets or systemic imbalances.

3. An analysis of when and in what way an undertaking can apply for the Central Bank's liquidity facilities...[1)], in addition to those covered by regular transactions, and which assets can be pledged as collateral. No special liquidity provisions or other form of public financial support shall be provided for in the resolution plan.

4. Different ways of applying resolution tools and powers of resolution to companies.

When preparing a resolution plan, the Resolution Authority shall, if appropriate, consult with the resolution authorities of the Member States in which the undertaking in question has important branches. The Financial Supervisory Authority shall have access to the approved resolution plans of companies.

The resolution plan shall be reviewed at least annually and updated if necessary, such as if there are changes in the undertakings' operations or if something else in their operations causes significant changes in the plan. Companies must notify the Resolution Authority in good time of any changes that create the need for an update.

The Central Bank of Iceland shall set rules[2)] which further stipulate the content of resolution plans pursuant to the first paragraph.

Act no. *48/2022, Art. 3.* [2)] *Reg. 666/2021.*

Article 10

Resolution plan of a group.

If the Resolution Authority has group-level resolution powers, it shall prepare and update a resolution plan for the group on the basis of information pursuant to Article 12. The approval of the group resolution plan shall take place following collaboration with the resolution authorities of subsidiaries and, if applicable, in consultation with the resolution authorities where important branches have operations. The group resolution plan, including any amendments to the plan, shall be sent to the appropriate supervisory authorities.

When the Resolution Authority does not have powers of resolution on a consolidated basis pursuant to the first paragraph, it may, however, decide to make an independent resolution plan, pursuant to Article 9 for subsidiaries that are credit institutions or investment firms. The procedure for the resolution plan of a subsidiary is governed by paragraphs 6 and 7.

The group's resolution plan shall include measures for the resolution proceedings of the group as a whole, as well as measures that apply to individual companies or entities within the group and their resolution proceedings. The group resolution plan shall take into account the issues set out in Article 9, including updating the resolution plan.

The consolidated resolution plan shall, as appropriate, specify actions for all of the following entities:

1. Parent company at the top level of a group in the European Economic Area.
2. Each individual subsidiary in a Member State.
3. Holding companies according to points (c) and (d) of the first paragraph. Article 2

A parent company at the top level of a group in the European Economic Area shall compile and provide the Resolution Authority with the necessary information for the preparation of a resolution plan, which will send the received information to the following parties:

1. European Banking Authority.
2. Resolution authorities of subsidiaries.
3. Resolution authorities where important branches are located.
4. Relevant supervisory authorities.
5. Resolution authorities in Member States where holding companies according to points (c) and (d) of Article 2(1) are located.

The Resolution Authority shall endeavour to make a joint decision on the group's resolution plan with the parties in accordance with paragraph 5. If a joint decision is not available within four months of the resolution authority, which is responsible for the group resolution plan, sending information pursuant to paragraph 5, it shall take an independent decision on the plan. The decision shall be notified to the parent company and to the competent authorities.

The decision pursuant to paragraph 6 shall be postponed if one of the competent authorities has, pursuant to the second sub-paragraphs of paragraph 5, referred the Bank's decision to the European Banking Authority or the EFTA Surveillance Authority, in accordance with the Act on the European System of Financial Supervision, before the expiry of the time limit pursuant to paragraph 6, in which case the Resolution Authority shall wait for the decision which the EFTA Surveillance Authority may make. The decision shall be in accordance with the conclusion of the EFTA Surveillance Authority.

The Central Bank of Iceland shall set rules[1)] which further stipulate the content of consolidated resolution plans pursuant to the third paragraph.

Reg. 666/2021.

Article 11

Simple resolution plan.

The Resolution Authority decides whether to make a simple resolution plan for an undertaking or group. The conditions for a simple resolution plan are that the operational difficulties of an undertaking or group and, as the case may be, winding-up proceedings do not have a significant negative effect on the financial system, other companies, the distribution of capital in the financial system or the economy.

A simple resolution plan may be dropped at any time pursuant to the first paragraph.

The Central Bank of Iceland shall set rules[1)] on the criteria for decisions regarding simple

resolution plans pursuant to the first paragraph.

Reg. 666/2021.

Article 12

Provision of information and assistance in preparing a resolution plan.

The Resolution Authority may require the undertaking, entity or parent company to provide it with information which in its opinion is relevant and concerns the preparation and production of a resolution plan. An undertaking, entity or parent company must provide assistance in the preparation and updating of a resolution plan pursuant to Article 9 or 10 at the request of the Resolution Authority.

The Minister shall issue a regulation[1)] on the information that may be required of an undertaking or parent company in accordance with this Article for the purpose of preparing or updating resolution plans.

The Central Bank of Iceland shall set rules on the procedures and format for the provision of information in accordance with this Article.

Reg. *780/2021.*

Article 13

Assessment of the resolvability of a credit institution and investment firm.

If appropriate, the Resolution Authority shall, after consultation with the resolution authorities of Member States where the company has an important branch, assess whether the company is resolvable. A resolvability assessment shall be carried out in parallel with the preparation of a resolution plan in accordance with Article 9.

An assessment of whether an undertaking is considered resolvable pursuant to the first paragraph is based on whether it is possible to apply some resolution actions to it or whether the company goes into winding-up proceedings, without the actions having a significantly negative effect on the financial system in the Member States and ensuring the continuation of the critical functions activities of the undertaking.

The Central Bank of Iceland shall set rules [1)] on the subject matter and criteria for assessing the resolvability of an undertaking pursuant to the first paragraph.

The minister shall set rules[2)] on the subject matter regarding the resolvability assessment of an undertaking pursuant to the first paragraph.

Reg. 666/2021. [2)] Reg. *780/2021.*

Article 14

Assessment of resolvability at group level.

If the Resolution Authority has powers of resolution on a consolidated basis, it shall assess the group's resolvability. A resolvability assessment shall be carried out in parallel with the preparation of the group's resolution plan in accordance with Article 10 and take into account the issues set out in Article 13.

The resolvability assessment shall be carried out in collaboration with the resolution authorities of subsidiaries and in consultation with the supervisory authorities of subsidiaries and the resolution authorities where important branches operate. The resolvability assessment of the group shall be discussed within the resolution colleges pursuant to Article 89.

The Central Bank of Iceland shall set rules[1)] on the content and criteria for the resolvability assessment of a group pursuant to the first paragraph.

The minister shall set [2)] rules on the subject of the resolvability assessment of a group pursuant to the first paragraph.

Reg. 666/2021. [2)] Reg. *780/2021.*

Article 15

Resolvability deficiencies.

In the event of significant deficiencies in the company's resolvability in the assessment conducted according to Article 13, the company and the resolution authorities where important branches have operations shall be notified in writing. The notification pursuant to the first sub-paragraph, shall postpone the preparation of a resolution plan until the Resolution Authority approves measures intended to remedy the deficiencies in question.

An undertaking shall, within four months of receiving the notification pursuant to the first paragraph, send proposals to the Resolution Authority on measures to remedy the deficiencies that are considered to exist. The Resolution Authority will then assess the company's actions and whether improvements are possible.

If the actions of the company are not considered sufficient to remedy the resolvability deficiencies, it will be requested in writing to take any of the following actions:

1. That the company review agreements on financial support within a group in accordance with the Act on Financial Undertakings or review whether such agreements should be made.
2. That the company enters into servicing contracts with parties within or outside the group to ensure continued critical functions.
3. That the company limits the accumulation of exposures, both to individual parties and as a whole.
4. That the company provides more frequent or regular additional information on matters relating to resolution proceedings.
5. That the company sells certain assets.
6. That the company reduces or discontinues certain activities or cancels planned activities.
7. To reduce or stop the sale or development of certain financial products.
8. That the organisation of the undertaking or legal entity under its direct or indirect control be simplified so that the critical functions can be separated from other areas of work when applying resolution remedies.
9. That the undertaking or its parent company establishes a financial holding company either in Iceland or in another Member State.
10. That the company or entity issues eligible liabilities to meet the Minimum Requirement for Own Funds and Eligible Liabilities pursuant to Chapter IV.
11. That the undertaking or entity takes other measures to meet the Minimum Requirement for Own Funds and Eligible Liabilities pursuant to Chapter IV, such as renegotiating the terms of eligible liabilities, Additional Tier 1 Equity or Tier 2 Equity which it has issued, in order to reach a decision on the write-down or conversion of such liabilities or financial instruments.
12. That a mixed holding company, if it is the parent company, establishes a separate financial holding company which takes over the management of the company in order to facilitate resolution proceedings and to prevent resolution actions having a negative effect on the non-financial part of the group.

An undertaking shall, within one month of receiving the notification pursuant to the third paragraph, send the Resolution Authority a plan on how it intends to carry out the requested actions.

The provisions of this Article also apply to the assessment of a group's resolvability pursuant to Article 14 and, if applicable, the procedures according to Article 16.

Article 16

Procedure to address deficiencies in the group's resolvability.

If an assessment of the group's resolvability pursuant to Article 14 reveals that there are significant deficiencies in the resolvability of a group, the Resolution Authority shall consult the competent authorities and submit a report to the following parties prepared in co-operation with the European Banking Authority:

1. Parent company at the top level of a group in the European Economic Area.
2. Resolution authorities of subsidiaries.
3. Resolution authorities where important branches are located.

The report pursuant to the first paragraph shall include the following:

1. An analysis of the significant deficiencies that obstruct the effectiveness of resolution measures and powers of resolution.

Discussion and assessment of the impact of the deficiencies on the business plan of the undertaking or entity in question.

3. Necessary and desirable ways to remedy the deficiencies in question.

A parent company at the highest level of a group in the European Economic Area shall, within four months of receiving a report pursuant to the first paragraph make comments and suggestions regarding other measures to remedy the deficiencies identified in the report. The Resolution Authority communicates the parent company's comments and proposals to the European Banking Authority and the Resolution Authority pursuant to points 2 and 3 of the first paragraph.

The Resolution Authority shall, within four months of the notification pursuant to the third paragraph, sub-paragraph 2, seek to make a joint decision with the resolution authorities, pursuant to items 2 and 3 of the first paragraph on actions on the basis of the third paragraph and the third paragraph of Article 15, to remedy deficiencies in a group's resolvability. If no comments or suggestions are received from the parent company at the top level of the group pursuant to the first sentence of the third paragraph, the Resolution Authority shall seek to make a joint decision with the resolution authorities pursuant to items 2 and 3 of the first paragraph within four months from the deadline for comments pursuant to the first sentence of the third paragraph.

If a joint decision has not been reached within the time limit pursuant to the fourth paragraph, the Resolution Authority shall make an independent decision on actions pursuant to the third paragraph of Article 15 and notify the decision to the parent company and the Resolution Authority pursuant to items 2 and 3 of the first paragraph. The decision shall be reasoned and the assessment of the Resolution Authority shall be taken into account as far as possible. The decision shall be postponed if the resolution authority, pursuant to items 2 or 3 of the first paragraph, refers the matter to the EFTA Surveillance Authority or the European Banking Authority, in accordance with the Act on the European System of Financial Supervision before the end of the time limit, pursuant to the fourth paragraph and the Resolution Authority shall wait for a decision, which the EFTA Surveillance Authority may take. The decision of the Resolution Authority shall be in accordance with the conclusion of the EFTA Surveillance Authority.

If the Resolution Authority does not have group-level resolution powers, it may, notwithstanding the fifth paragraph, require a subsidiary to take action pursuant to the second and third paragraphs of Article 15.

A Parent company shall, within one month of receiving the decision pursuant to the fourth or fifth paragraph, send the Resolution Authority a plan on how it intends to carry out the requested actions.

CHAPTER IV
Minimum Requirement for Own Funds and Eligible Liabilities

Article 17
Minimum Requirement for Own Funds and Eligible Liabilities.

Companies must always meet the Minimum Requirement for Own Funds and Eligible Liabilities. The minimum requirement shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. Liabilities due to derivative contracts shall be included in the total liabilities, provided that full consideration is given to the counterparties' netting rights.

[Liabilities shall be included in the calculation of the Minimum Requirement for Own Funds and Eligible Liabilities if they meet all the conditions in the following articles of Regulation (EU) no. 575/2013:

1. Article 72(a).
2. Article 72(b), excluding item (d) of the second paragraph.
3. Article 72(c)][1)

The Resolution Authority determines the minimum requirement pursuant to the first paragraph and the decision shall be based on at least the following factors:

1. Whether the resolution proceedings can be completed with appropriate resolution measures, including bail-in tools if applicable, so that the objectives of the resolution proceedings pursuant to Article 1 can be achieved.
2. That the undertaking's eligible liabilities are sufficient to ensure that in the event of a bail-in, the company has a satisfactory loss absorbency and that the Common Tier 1 Equity ratio can be restored so that the conditions for granting an operating licence are met and the company maintains market confidence.
3. That the undertaking's eligible liabilities other than those that are expected to fall outside the bail-in tools pursuant to Article 56 (2), or to be transferred as a whole according to the undertaking's resolution plan be sufficient to ensure that its loss absorbency is satisfactory and it is possible to restore the Common Equity Tier 1 ratio so that the conditions for granting an operating licence are met.
4. Company size, business model, funding model and risk profile....[1)
5. ...[1)
6. Impact of an insolvent company on financial stability, including due to its interconnections with other credit institutions or investment firms or other parts of the financial system.

Notwithstanding the first paragraph, credit institutions that only provide loans secured by real estate and are financed by the issuance of covered bonds shall be excluded from the minimum requirement, pursuant to the first paragraph, provided that such companies undergo winding-up proceedings or resolution remedies pursuant to Parts B, C or D of Chapter X.

When the law of a State outside the European Economic Area applies to an obligation, the Resolution Authority may require an undertaking to demonstrate that its decision to write down or convert such an obligation can be carried out in accordance with the law of the State concerned. In such cases, account shall be taken of the contractual terms of the obligation, international agreements on the recognition of resolution proceedings and other relevant matters. If the Resolution Authority considers that a decision regarding a write-down or conversion of a liability in a state outside the European Economic Area cannot be made in accordance with the legislation of the state concerned, the liability shall be excluded from the calculation of Minimum Requirement for Own Funds and Eligible Liabilities.

The Central Bank of Iceland shall set rules[2)] on the methodology and criteria for decision

regarding Minimum Requirement for Own Funds and Eligible Liabilities pursuant to the third paragraph.

Act no. *38/2022, Art. 184.* [2)] *Reg. 666/2021.*

Article 18

Minimum Requirement for Own Funds and Eligible Liabilities on a consolidated basis.

A parent company at the top level of a group in the European Economic Area shall meet the Minimum Requirement for Own Funds and Eligible Liabilities on a consolidated basis.

The Resolution Authority may demand that a financial institution pursuant to Article 2, paragraph 1(b) and holding companies pursuant to the first paragraph of Article 2, points (c) and (d), meet the Minimum Requirement for Own Funds and Eligible Liabilities on an individual entity basis**.**

If the Resolution Authority exercises resolution powers on a consolidated basis, it decides on the Minimum Requirement for Own Funds and Eligible Liabilities on a consolidated basis pursuant to the first paragraph. The decision shall be made, taking into account items under the third paragraph of Art. 17 and comply with paragraphs 1-4 of Article 19.

If applicable under the resolution plan, the decision shall also take into account whether a subsidiary of a group outside the European Economic Area is subject to special resolution proceedings.

Article 19

Proceedings on a consolidated basis.

In cases where the group, pursuant to Article 18, provides services in another Member State or has a subsidiary operating in another Member State, an attempt shall be made to make a joint decision with other resolution authorities regarding the capital base and eligible liabilities on a consolidated basis pursuant to the third paragraph of Article 18. A joint decision shall be fully substantiated and the Resolution Authority shall notify the parent company in accordance with the first paragraph of Article 18.

The Resolution Authority shall make an independent decision on the minimum requirement on a consolidated basis, taking into account the assessment of the resolution authorities of individual subsidiaries, after four months, if a joint decision is not reached pursuant the first paragraph.

If, before the end of the deadline pursuant to the second paragraph, any of the resolution authorities involved in the case refers the decision of the Resolution Authority to the European Banking Authority or the EFTA Surveillance Authority pursuant to Article 19 of Regulation (EU) no. 1093/2010, cf. Act on the European System of Financial Supervision, the Resolution Authority shall defer its decision and wait for a decision which the EFTA Surveillance Authority may take. The decision of the Resolution Authority shall be in accordance with the conclusion of the EFTA Surveillance Authority.

The Resolution Authority shall determine the Minimum Requirement for Own Funds and Eligible Liabilities on an entity basis for an undertaking that is established in Iceland, but is a subsidiary of an undertaking established abroad. In such cases, the decision shall take into account the third paragraph of Article 17 and a Minimum Requirement for Own Funds and Eligible Liabilities on a consolidated basis according to the decision of the parent company's resolution authority. At the same time, an attempt shall be made to make a joint decision on the capital base and eligible liabilities with the parent company's Resolution Authority or, as the case may be, other resolution authorities concerning the company established in Iceland, its sister companies and parent company. A joint decision shall be reasoned and the Resolution Authority shall notify the company that is established in Iceland.

If four months elapse without a joint decision, the Resolution Authority shall determine the Minimum Requirement for Own Funds and Eligible Liabilities of the relevant company established in Iceland, taking into account the assessment of the parent company's resolution authority. If, before the deadline, the parent company's Resolution Authority has referred the decision of the resolution authority to the European Banking Authority or the EFTA Surveillance Authority in accordance with Article 19 of Regulation (EU) no. 1093/2010, cf. Act on the European System of Financial Supervision, the resolution authority shall suspend its decision and await a decision which the EFTA Surveillance Authority may take in accordance with the third paragraph of Article 19 of the Regulation. The decision of the Resolution Authority shall be in accordance with the conclusion of the EFTA Surveillance Authority.

If a joint decision is not reached regarding Minimum Requirement for Own Funds and Eligible Liabilities, cf. paragraphs 1 and 4, the Resolution Authority may refer the case to the EFTA Surveillance Authority in accordance with Article 19 of Regulation (EU) no. 1093/2010, cf. Act on the European System of Financial Supervision, in order to reach a final decision on Minimum Requirement for Own Funds and Eligible Liabilities. Such a matter shall be referred to the EFTA Surveillance Authority within four months of the date of the joint decision. However, a case may not be referred to the EFTA Surveillance Authority if the difference between its decision and that of the other resolution authorities is less than one percentage point.

The Resolution Authority shall regularly review decisions under this Article and update them as appropriate.

Article 20

Exemptions on an entity basis due to consolidation.

Notwithstanding the first paragraph of Article 17, the Resolution Authority may decide not to set Minimum Requirement for Own Funds and Eligible Liabilities on an entity basis for a parent company in the European Economic Area. In such cases, both of the following conditions must be met:

1. The company in question meets the minimum requirement on a consolidated basis according to Article 18.
2. The Financial Supervisory Authority has exempted the company from meeting capital requirements on an entity basis or the supervisory authorities of a Member State have exercised a similar exemption in the Member State in question.

A subsidiary may be granted an exemption from fulfilling Minimum Requirement for Own Funds and Eligible Liabilities on an entity basis pursuant to the first paragraph of Article 17, provided that all of the following conditions are met:

1. The subsidiary in question and its parent company are licensed by the Financial Supervisory Authority and are subject to its supervision.
2. The subsidiary is subject to group supervision with the parent company.
3. The parent company meets the Minimum Requirement for Own Funds and Eligible Liabilities on a consolidated basis pursuant to Article 18.
4. There are no known or anticipated significant restrictions, legal or otherwise, on the transfer of the capital base or the repayment of liabilities from the parent company to the subsidiary.
5. The parent company either meets the requirements and conditions of the Financial Supervisory Authority for the prudent management of a subsidiary and has issued a statement, with the approval of the Financial Supervisory Authority, that it guarantees the company's liabilities, or the risk factors in the subsidiary's operations are considered insignificant.

6. The parent company's methods of assessing, measuring and managing risk extend to a subsidiary.

7. A parent company controls more than 50% of the voting rights attached to shares in the subsidiary's share capital or has the right to nominate or dismiss the majority of members of the subsidiary's board of directors.

8. The Financial Supervisory Authority has exempted the subsidiary from meeting capital requirements on an entity basis.

[Art. 21.][1)]

Act no. *38/2022, Art. 185.*

Article 22

Resolution authority supervision.

The resolution authority shall demand and verify that companies and entities pursuant to points (b) to (d) of the first paragraph of Article 2 fulfil liabilities according to Articles 17, 18 [and Article 20][1)] The decisions of the resolution authority shall be made in parallel with the development and maintenance of resolution plans.

The European Banking Authority shall be informed of the Minimum Requirement for Own Funds and Eligible Liabilities of companies or entities subject to supervision under this Article.

The Central Bank of Iceland shall set rules[2)] on the format and definitions for the exchange of information pursuant to the second paragraph.

[1)]Act no. *38/2022, Art. 186.* [2)]*Reg. 1262/2021.*

CHAPTER V

Various measures to prepare resolution proceedings and avoid company collapse

Article 23

Contractual terms for write-downs or conversion, including bail-in tools.

The company or entity shall, pursuant to points (b) to (d) of the first paragraph of Article 2, ensure that its agreements contain the terms of the agreement, in which the counterparty acknowledges, that the obligation to which the agreement relates may be subject to authorisations for the write-down and conversion of financial instruments pursuant to Chapter VI and bail-in tools pursuant to Articles 54 and 55, cf. Part E of Chapter X.

The agreements shall also contain contractual terms whereby the counterparty acknowledges that it is bound by any reduction in principal or outstanding amount, conversion or write-down due to the effect of the exercise of these powers.

The provisions of the first paragraph do not apply to liabilities which:

1. Are exempt from bail-in tools pursuant to the second paragraph of Article 56.

2. are a deposit that falls under [point (a) of item 1 of the first paragraph of Article 85(a)],[1)]

3. may be subject to write-down or conversion on the basis of an authorisation under the law of a State outside the European Economic Area or on the basis of an authorisation under a binding agreement concluded with the State concerned outside the European Economic Area.

The resolution authority may demand a legal opinion from the relevant company or entity on the binding nature of the contractual terms, pursuant to the first paragraph for the counterparties.

Even if an undertaking or entity neglects to set contractual terms on an obligation

pursuant to the first paragraph, the resolution authority can exercise its authority and write down or convert the obligation in question.

The Central Bank of Iceland shall set further rules[2)] on the content of contractual terms pursuant to the first paragraph and a list of liabilities, which are exempted pursuant to the second paragraph.

[1)]*Act no. 38/2021 Article 3* [2)]*Reg. 666/2021.*

Article 24

Communication with potential buyers.

The resolution authority may require undertakings to contact potential buyers in order to prepare for resolution proceedings when circumstances due to early intervention under the Act on Financial Undertakings exist.

Article 25

Register of financial agreements....[1)]

The resolution authority may decide that an [undertaking or entity] [1)] shall keep a register of financial agreements. [The resolution authority may require such a register to be established within a reasonable timeframe.][1)]

[The resolution authority may require an undertaking or entity to provide information from a register of financial agreements within a short time limit of up to 24 hours, if necessary. The resolution authority may decide that different deadlines apply to the delivery of information regarding different types of financial agreements.][1)] The Financial Supervisory Authority shall have access to information provided in accordance with this Article.

The Central Bank of Iceland sets rules[2)] on financial agreement registers, including the minimum information such a register shall contain and which contracts are considered financial contracts.

Act no. 38/2021, Art. 4. [2)]*Reg. 666/2021.*

Article 26

Preparation for write-down and conversion, including bail-in tools.

In connection with the preparation and updating of a resolution plan, the articles of association of an undertaking or entity shall be assessed, taking into account whether the articles of association authorise resolution actions that require a reduction or increase in share capital. The resolution authority may require an undertaking or entity to amend its articles of association if necessary to facilitate the implementation of resolution actions.

The resolution authority may require that an undertaking or entity be always authorised to issue an appropriate number of instruments that are considered as Common Equity Tier 1, which are sufficient to enforce the decision on write-down and conversions pursuant to Chapter VI and bail-in tools pursuant to Articles 54 and 55, cf. Part E of Chapter X. The issuance of holdings shall be possible without the consent of members and other claims in accordance with the Act on Limited Liability Companies.

CHAPTER VI

Write-down and conversion of financial instruments

Article 27

Conditions for applying write-down and conversion powers.

In accordance with Article 28, the resolution authority shall without delay write down or

convert the financial instruments of an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 in holdings if any of the following cases apply:

1. A decision has been made that the conditions for resolution proceedings pursuant to the first paragraph of Article 35 are fulfilled, without however resorting to resolution actions.

2.The Financial Supervisory Authority has decided that the undertaking or entity is no longer operable unless a write-down or conversion of financial instruments is undertaken.

3. The Financial Supervisory Authority and the competent authority of a subsidiary or group have jointly decided that a group is no longer operable without the write-down or conversion of financial instruments, provided that they are financial instruments issued by a subsidiary for the purpose of meeting its capital base and group requirements.

4. The Financial Supervisory Authority, as a supervisor on a consolidated basis, has decided that a group is no longer operable except by the write-down or conversion of financial instruments, provided that these are financial instruments issued by the parent company for the purpose of meeting its capital requirements or those of the group.

5. An undertaking or entity has requested special government financial support, except in the case of the circumstances provided for under item 2 (c) of Article 3, Paragraph 1.

The write-down or conversion of financial instruments pursuant to the first paragraph may either be applied without resolution actions or in parallel with them, provided that the conditions for resolution proceedings under the first paragraph of Article 35 are fulfilled.

An undertaking, entity or group is not considered operable according to items 2-4 of the first paragraph if both of the following conditions are met:

1. An undertaking, entity or Group is failing.

2. It is unlikely that measures other than write-downs or conversions pursuant to the first paragraph can prevent the insolvency of an undertaking, entity or group within the required timeframe. Other measures is to be understood as the involvement of private entities or actions of the supervisory authority, including early interventions.

Write-downs or conversions pursuant to the first paragraph shall be based on a valuation of assets and liabilities according to Chapter VII.

The relevant financial instrument of a subsidiary according to item 3 of the first paragraph may not be written down more or converted on worse terms than the financial instruments of the parent company which have been written down or converted and have the same priority [cf. Article 85(a)].[1)]

Decision pursuant to the first paragraph shall be notified immediately to the appropriate resolution authorities.

[1)]Act no. *38/2021, Art. 5.*

Article 28

Implementation of write-downs and conversions.

The write-down or conversion of financial instruments pursuant to Article 27 shall [be in accordance with the priority of claims in resolution and winding-up proceedings, pursuant to Article 85(a) and proceed as follows]:[1)]

1. Common Equity Tier 1 is first written down by the amount of the loss of an undertaking or entity and to the extent that it can. One or both actions are taken pursuant to the first paragraph of Article 63 towards the holders of instruments that are included in Common Equity Tier 1.

2. The principal of the additional Tier 1 equity is then written down or converted into Common Equity Tier 1 or both, to the extent necessary to achieve the objectives of

resolution proceedings pursuant to Article 1 or as far as possible in relation to the scope of the relevant financial instruments, whichever is lower.

3. The principal of the instruments which are considered Tier 2 equity is finally written down or converted into Common Equity Tier 1 or both, to the extent necessary to achieve the objectives of resolution proceedings pursuant to Article 1 or as far as possible in relation to the scope of the relevant financial instruments, whichever is lower.

When the principal of an appropriate financial instrument is written down:

1. The write-down shall be final, but subject to a possible update, pursuant to the third paragraph of Article 55.
2. There is no obligation on the owner of the relevant financial instrument for the written-down amount of the instrument, except in the case of an obligation that had already accrued or an obligation for a claim for damages that may arise due to a dispute over the legality of the write-down.
3. The owner of the relevant financial instrument is not entitled to damages other than those pursuant to the third paragraph.

The resolution authority may require an undertaking or entity to issue financial instruments that are considered to be Common Equity Tier 1 to the owners of the relevant financial instruments in order to implement the conversion of the relevant financial instruments in accordance with Paragraph 1(2). Such a conversion is only permitted when the following conditions are met:

1. The financial instruments are issued by the company or its parent company with the approval of the resolution authority or, if applicable, the resolution authority of the parent company.
2. The financial instruments are issued before any instrument due to a financial contribution from the Treasury pursuant to Chapter XIII.
3. The financial instruments are issued and transferred without delay after conversion.
4. The conversion rate, which determines the number of issued instruments that are considered Common Equity Tier 1, is in accordance with Article 64.

The resolution authority may demand that the articles of association of an undertaking or entity always authorise the issuance of an appropriate number of instruments that are considered to be Common Equity Tier 1 for the purpose of enforcing the provisions of the third paragraph.

[1)]Act no. *38/2021, Art. 6.*

Article 29

Procedure for write-downs and conversions on a consolidated basis.

Before a decision is made on the write-down or conversion of financial instruments pursuant to items 2 - 5 of the first paragraph of Article 27, which are issued by a subsidiary to meet the capital adequacy and consolidation requirements, the following shall be done:

1. notify without delay the appropriate competent authorities of any envisaged decision to write down or convert financial instruments;
2. notify without delay the competent authorities of the undertaking or entity which issued the relevant financial instruments of the proposed decision to write down or convert the instrument pursuant to item 3 of the first paragraph of Article 27.

The notification pursuant to the first paragraph shall be accompanied by a justification of why the write-down or conversion of the financial instruments is being proposed. Following notification, the resolution authority shall, after consulting with the relevant competent authorities, assess the following issues:

1. Whether an early intervention, actions provided for [under the third paragraph of

Article 107(a)][1] of the Financial Undertakings Act, or the transfer of funds or equity from the parent company is possible. If actions pursuant to item 1 are to be considered, an evaluation shall be made of whether there is a realistic probability that they can, within a reasonable timeframe, be applied instead of the write-downs or conversion of financial instruments pursuant to the first paragraph of Article 27.

In the event of other measures to be considered pursuant to item 1 of the second paragraph, care shall be taken to ensure that they are applied. If the assessment conducted on the basis of point 2 of the second paragraph reveals that no other measure is considered appropriate, a decision shall be made on whether the write-down or conversion of financial instruments pursuant to the first paragraph of Article 27 is an appropriate action.

The decision on the write-down or conversion of financial instruments pursuant to item 3 of the first paragraph of Article 27 shall be immediately notified to the competent authorities of the Member States in which the subsidiaries concerned are located and the decision shall be shared with the authorities in accordance with the third paragraph of Article 91. If a joint decision is not reached, the resolution authority shall not make a decision pursuant to Article 27(1)(3).

[1)]Act no. *38/2022, Art. 187.*

CHAPTER VII
Valuation of assets and liabilities.

Article 30
Valuation.

The resolution authority shall have an independent party carry out a fair, prudent and realistic appraisal of the value of the assets and liabilities of an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 before resorting to resolution actions or the write-down and conversion of financial instruments pursuant to Article 27.

The valuation shall state whether conditions exist for resolution proceedings pursuant to the first paragraph of Article 35 or the write-down and conversion of financial instruments pursuant to Article 27. The valuation shall also form the basis for a decision on the following:

1. What resolution actions are appropriate for an undertaking or entity,
2. the extent of the write-down of share capital or other holdings and the extent of the write-down or conversion of financial instruments,
3. The extent of the write-down or conversion of [bail-inable][1] liabilities when bail-in tools are applied;
4. which assets, rights, liabilities or holdings are to be transferred when the resolution tools for transferring to a bridge institution or the asset separation tool are applied and what remuneration is to be paid to an undertaking or entity under resolution proceedings or, if applicable, to a member;
5. which assets, rights, liabilities or holdings shall be sold when measures for the sale of operations are applied and what is to be considered the business criteria pursuant to Part B of Chapter X,
6. how to ensure that the impairment of assets is fully taken into account at the time when resolution measures or the write-down and conversion of financial instruments are applied.

The valuation shall include an assessment of the expected status of claims in order of priority in [resolution and winding-up proceedings pursuant to Article 85(a)][2] as well as the probable handling of members’ funds and creditors’ claims, if an undertaking or entity is

wound up in accordance with the rules on winding-up proceedings or bankruptcy proceedings.

The valuation shall not take into account possible future liquidity provisions from the Central Bank of Iceland, in addition to those covered by regular transactions or other forms of government financial support.

In the valuation, the following factors should be taken into account if resolution tools are applied:

1. The resolution authority and the resolution fund are entitled to a reimbursement of costs from an undertaking or entity under resolution proceedings pursuant to Article 81.
2. The Resolution Fund is entitled to demand interest or a fee for a loan or guarantee that has been granted to an undertaking or entity under resolution proceedings pursuant to Article 87.

The following information as it appears in the accounts or other records of the company must be included in the valuation:

1. Updated balance sheet and income statement and report on the financial position of the company or entity.
2. Analysis and valuation of the book value of assets.
3. A list of outstanding liabilities within and outside the balance sheet of the company or entity, together with information on their priorities in [resolution and winding-up proceedings pursuant to Article 85(a)].[2)]

When the requirements of this article are met, the valuation is considered completed. If it becomes clear during the making of a valuation that it will not be possible to meet the requirements of this article, it shall then be treated as a preliminary valuation, pursuant to Article 31 until a valuation that meets the requirements of this article has been carried out, cf. the third paragraph of Article 31. The processing of an adjusted valuation shall be fast-tracked and the same party may then work on it in parallel with the final valuation pursuant to Article 32, provided that each is separated from the other.

The Central Bank of Iceland shall set rules[3)] on the further implementation of this Article, including on the methodology for evaluating the assets and liabilities of an undertaking or entity, the independence of the assessor vis-à-vis both the resolution authority and the company or entity and the separation of valuations, cf. also Article 32.

[1)]Act no. *38/2022, Art. 188.* [2)]Act no. *38/2021, Art. 7.* [3)]*Reg. 666/2021.*

Article 31

Preliminary valuation.

The resolution authority may perform a preliminary valuation of the assets and liabilities of an undertaking or entity if it is not possible to obtain an independent valuation pursuant to Article 30. A preliminary valuation is considered a satisfactory basis for a decision on the application of resolution actions.

Insofar as possible, the preliminary valuation shall meet the requirements pursuant to Article 30. It shall also include a precautionary deduction due to the uncertainty of further losses.

When a preliminary valuation pursuant to the first paragraph has taken place, an independent valuation shall be carried out as soon as possible in accordance with Article 30.

If the net assets of the company or entity are more valuable on the basis of a valuation pursuant to Article 30, than on the basis of a preliminary valuation pursuant to the first paragraph, it is permitted to:

1. increase the value of the claims of creditors or owners of relevant financial instruments that were written down pursuant to Article 27 or in the application of bail-in tools pursuant to Articles 54 and 55,

2. instruct the bridge institution or asset management company to make additional payments for assets, rights or liabilities to an undertaking or entity under resolution proceedings, or if applicable to a member.

The Central Bank of Iceland shall set rules[1)] on the methodology for calculating the precautionary deduction to cover additional losses pursuant to the second paragraph.

Reg. 666/2021.

Article 32

Final valuation.

The resolution authority shall, as soon as possible, after the resolution action has begun, have a final valuation carried out by an independent party, which includes, among other things, an assessment of whether the members and creditors of an undertaking or entity under resolution proceedings would have received better treatment if the company or entity had been admitted to winding-up proceedings or bankruptcy proceedings.

The final valuation shall determine the following:

1. The treatment which members' funds and creditors' claims and, if applicable, the Depositors' and Investors' Guarantee Fund [for financial undertakings][1] would have received if the company or entity had entered into winding-up proceedings or bankruptcy proceedings at the time when the decision on resolution proceedings pursuant to Article 35 was taken,
2. The treatment of members' funds and creditors' claims in the resolution proceedings of the undertaking or entity;
3. Whether there was any difference between the treatment of members' funds and creditors' claims pursuant to points 1 and 2.

The final valuation shall contain the following:

1. It is assumed that an undertaking or entity had entered into winding-up proceedings or bankruptcy proceedings at the time when the decision on resolution proceedings pursuant to Article 35 was taken,
2. it is assumed that a resolution action had not been applied,
3. special government financial support is not taken into account if it has been provided to an undertaking or entity under resolution proceedings.

The Central Bank of Iceland shall set rules[2)] on the further implementation of this Article, such as on the methodology for assessing the assets and liabilities of a company or entity and on the independence of the assessor regarding the resolution authority and the undertaking or entity.

[1)]Act no. *48/2022, Art. 2.* [2)]*Reg. 666/2021.*

Article 33

Judicial review powers regarding valuation.

A valuation that is carried out pursuant to Articles 30 and 31 will only be brought before a court in parallel with a decision on the application of resolution actions, cf. Article 6

Section 3

Resolution proceedings.

CHAPTER VIII

Decision on resolution proceedings

Article 34

Decisions on whether an undertaking is failing.

The Financial Supervisory Authority decides, after consultation with the resolution authority, whether an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 is failing or likely to fail and the relevant parties shall be notified of the result without delay.

Article 35

Decision on resolution proceedings.

The resolution authority decides upon receipt of a notification whether an undertaking or entity is failing pursuant to Article 34 and whether it is necessary to take resolution actions against it in order to achieve the objectives of this Act.

Before a decision is taken on a resolution action pursuant to the first paragraph, which concerns the employees of an undertaking or entity, endeavours shall be made to inform and consult with representatives of the undertaking or entity.

Notwithstanding the first paragraph, resolution actions shall not be taken against the following entities:

1. Financial institutions pursuant to point (b) of the first paragraph of Article 2 unless its parent company is also failing.
2. A holding company pursuant to Points c or d of the first paragraph of Article 2, unless its subsidiary, which is a credit institution or investment firm, is also failing or if its subsidiary, which is a credit institution or investment firm, is failing and the assets and liabilities of the subsidiary are such that its collapse places another credit institution or investment firm in the group or the group as a whole at risk. If a subsidiary is established in a State outside the European Economic Area, it shall be deemed to be failing within the meaning of this paragraph if, in the opinion of the authorities of that country, it fulfils the conditions for resolution proceedings under the law of that State.
3. A mixed holding company if its subsidiary, which is a credit institution or an investment firm, is directly or indirectly owned by a financial holding company, which is an intermediary of the financial holding company.

The resolution authority of a holding company and the resolution authority of an undertaking, which is a subsidiary of the holding company, may, with regard to point 2 of the third paragraph, agree to disregard any movement of capital within the group or a loss between the undertaking and the entity when assessing whether the conditions for a resolution action are met with regard to the subsidiary.

The relevant parties shall be sent a dated and reasoned decision on the resolution action taken as soon as possible.

The resolution authority shall also ensure that the decision or summary of its impact, in particular on the general customers of the undertaking or entity, and the terms and time limits referred to in Articles 70-72, if applicable, are published as soon as possible on the website of the undertaking or entity, the Central Bank and the European Banking Authority. The same material shall be published by the same method used in official publications in accordance with the Act on Securities Transactions if the [holdings or debt instruments][1)] of the undertaking or entity have been admitted to trading on a regulated securities market, otherwise the same material which the resolution authority has in the company files shall be sent to members and creditors.

[1)]Act no. *38/2021, Art. 8.*

Article 36

Regulations of the Central Bank of Iceland.

The Central Bank of Iceland may set rules[1)] on the implementation of this Chapter, including notifications pursuant to Articles 34 and 35.

[1)]*Reg. 666/2021.*

CHAPTER IX
Initial measures under resolution proceedings

Article 37
Control of resolution proceedings.

The resolution authority may intervene and take resolution actions, assume the powers of the shareholders' meeting and the decision-making power of the Board of directors of an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 under resolution proceedings and manage its operations and services as well as intervening in and selling the assets of the undertaking or entity.

The resolution authority is authorised to exercise control itself pursuant to the first paragraph or entrust it to a resolution board pursuant to Article 38.

Article 38
Resolution board.

The Resolution Authority may appoint a resolution board for an undertaking or entity for up to one year at a time. There may be one or more specialists on the resolution board. They shall meet the qualification requirements for directors of financial undertakings and shall not be in any relationship with an undertaking or entity, individual members or creditors or other stakeholders, which might call their impartiality into question. The resolution authority negotiates an agreement with the resolution board on remuneration and pays the cost of its work. The appointment of the Resolution Board may be withdrawn at any time.

The Resolution Board handles the authorisations of members and the board of an undertaking or entity. It works towards the objectives of this Act and implements the decisions of the resolution authority and therefore provides regular reports on its work and the position of the undertaking or entity, including at the beginning and end of its term of office.

If a resolution authority in another Member State intends to appoint a resolution board over an undertaking or entity belonging to the same group as the company or entity pursuant to the first paragraph, it shall be ascertained whether there is reason to appoint a joint resolution board for both undertakings or entities.

CHAPTER X
Resolution tools
A. Joint provisions

Article 39
Reservations regarding write-downs or conversions.

Resolution tools which cause the creditors of an undertaking or entity, pursuant to points (b) to (d) of the first paragraph of Article 2, losses or which convert their claims shall not be applied unless just before or at the same time as the relevant financial instruments of the undertaking or entity have been written down or converted pursuant to Article 27.

Article 40

Exemptions from transfer restrictions.

The sale of an operation, transfer to a bridge institution and asset separation tool does not require the approval of an undertaking or entity under resolution proceedings, its members or creditors or other third parties. The owners of assets, rights or liabilities which are not transferred hold no rights on transferred assets, rights and liabilities, cf. Article 80.

Requirements regarding proceedings in the field of corporate or securities market law shall not preclude the sale of an operation, a transfer to a bridge institution or asset separation tool.

The provisions of the first and second paragraphs of Article 3 and Article 4 of the Act on the Legal Status of Employees upon Change of Ownership of an Undertaking does not apply to a transfer of ownership in the sale of operations, transfer to a bridge institution or asset separation tool.

B. Sales operations

Article 41

Sales operations.

The resolution authority can sell holdings in an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 and its assets, rights and liabilities to a legal entity that is not a bridge institution or asset management company.

The sale of operations shall be as open and transparent as circumstances allow, endeavours shall be made to maximise the sale price, without, however, unduly slowing down sales, and no discrimination shall be made against potential buyers. It is possible to deviate from the first sentence if the objectives of this Act require it.

Article 42

Eligibility to hold a qualifying holding.

The sale of an operation can be carried out even if the Financial Supervisory Authority has not completed an assessment of the buyer's eligibility to hold a qualifying holding in accordance with the Act on Financial Undertakings. During this time, the resolution authority exercises the voting rights attached to the sold holding.

If the Financial Supervisory Authority concludes that the buyer is not qualified to hold the qualifying holding, the Resolution Authority will continue to hold the voting rights attached to the holding until its sale, but a time limit may be set for the buyer to sell it.

The resolution authority is not responsible to the buyer for whether or how it exercises its voting rights under this article.

Article 43

Legal status of the buyer.

The buyer takes over rights and liabilities and enters into agreements related to sold assets, rights and liabilities.

The buyer is exempt from credit rating requirements for participation in payment, netting and securities settlement systems, the stock exchange, investor compensation schemes and deposit guarantee schemes. A party may be obliged, pursuant to the first sub-paragraph, to provide the buyer with access to the systems for up to 24 months at a time, even if the buyer does not meet other conditions for participation.

Article 44

Transfer to previous owners.

The resolution authority may, with the consent of the buyer, transfer holdings or assets, rights and liabilities that have been sold in the sale of operations back to previous owners and they are obliged to accept them and repay the compensation they received.

C. Transfer to a bridge institution.

Article 45

Establishment of a bridge institution.

The resolution authority may establish a bridge institution for the purpose of receiving and maintaining the critical functions which are to be transferred to it.

The resolution authority approves the founding documents, business plan and risk profile of the bridge institution. It appoints or approves the board and the director of a bridge institution, determines the areas of responsibility and approves their terms of employment.

At the request of the Resolution Authority, the Financial Supervisory Authority may grant a bridge institution a temporary operating licence to carry out activities to be assigned to it, even if it does not meet the conditions for an operating licence, if this is necessary to achieve the objectives of this Act.

Article 46

Transfer to a bridge institution.

The resolution authority may transfer holdings in an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 and its assets, rights and liabilities to a legal entity that is not a bridge institution or asset management company.

The remuneration for transferred assets, rights and liabilities shall be based on a valuation pursuant to Chapter VII. The total value of liabilities transferred to a bridge institution may not exceed the total value of assets that have been transferred or otherwise provided to it.

Article 47

Legal status of a bridge institution.

The Bridge institution takes over rights and liabilities and enters into agreements related to transferred assets, rights and liabilities.

A party may be obliged, pursuant to the first sub-paragraph, to provide the Bridge institution with access to the systems for up to 24 months at a time, even if the buyer does not meet other conditions for participation. A party may be obliged, pursuant to the first sub-paragraph, to provide the Bridge institution with access to the systems for up to 24 months at a time, even if the buyer does not meet other conditions for participation.

The bridge institution, its board and the managing director are only liable for the damage they cause to members or creditors of an undertaking or entity under resolution proceedings in their work if the damage is caused by intent or gross negligence.

Article 48

Sale of a bridge institution.

A bridge institution or its assets, rights and liabilities shall be sold to private parties when circumstances permit and no later than two years from the transfer to the bridge institution. The resolution authority may, by reasoned decision, extend the time limit by one year at a time if this is necessary to maintain critical functions or pay for the sale.

The sale pursuant to the first paragraph may be as open and transparent as circumstances

allow, endeavours shall be made to maximise the sale price, without, however, unduly slowing down sales, and no discrimination shall be made against potential buyers.

The resolution authority may transfer holdings or assets, rights and liabilities that have been transferred to a bridge institution back to former owners and they are obliged to accept them and repay the compensation they received if:

1. Notice was given to this effect in the decision to transfer to the bridge institution or
2. the conditions for the transfer to the bridge institution according to the decision were not met.

Article 49

Dissolution of the bridge institution.

A bridge institution shall be wound up at the request of the resolution authority when all the assets, rights and liabilities it was granted have been disposed of or after the expiry of the period, pursuant to the first paragraph of Article 48.

If holdings or assets, rights and liabilities from more than one undertaking or entity have been transferred to a bridge institution and holdings or assets, rights and liabilities from an individual undertaking or entity have not been sold within the time limit pursuant to the first paragraph of Article 48, they shall be placed in a special company which shall be wound up or its estate declared bankrupt.

D. Asset separation tool

Article 50

Establishment of an asset management company.

The resolution authority may establish an asset management company for the purpose of managing assets, rights and liabilities to be transferred to it.

The resolution authority approves the founding documents, business plan and risk profile of the asset management company. It appoints or approves the board and the director of the asset management company, determines the areas of responsibility and approves their terms of employment.

Article 51

Asset separation tool.

The resolution authority may transfer the assets, rights and liabilities of an undertaking or entities pursuant to points (b) to (d) of the first paragraph of Article 2 or a bridge institution to an asset management company if their disposal in winding-up proceedings or bankruptcy proceedings could have a negative effect on the financial market or if the transfer is necessary to ensure the proper functioning of the undertaking, entity or bridge institution or to maximise the sale value of assets. The asset separation tool will only be applied together with other resolution tools.

The remuneration for transferred assets, rights and liabilities shall be based on a valuation pursuant to Chapter VII.

Article 52

Restrictions on liability claims.

The asset management company, its board and managing director are only liable for the damage they cause to members or creditors of an undertaking or entity under resolution proceedings in their work if the damage is caused by intent or gross negligence.

Article 53

Sale of an asset management company.

An asset management company or its assets, rights and liabilities shall be sold when circumstances permit.

The sale pursuant to the first paragraph may be as open and transparent as circumstances allow, endeavours shall be made to maximise the sale price, without, however, unduly slowing down sales, and no discrimination shall be made against potential buyers.

The resolution authority may transfer assets, rights and liabilities that have been transferred to an asset management company back to the undertaking or entity and it is obliged to accept them and repay the compensation it received if:

1. Notice was given to this effect in the decision to transfer to the asset management company or
2. the conditions for the transfer to the asset management according to the decision were not met.

E. Bail-in tools:

Article 54

Bail-in tools.

The resolution authority may apply bail-in tools for the following purposes:

1. To refinance an undertaking or entity according to points (b) to (d) of the first paragraph of Article 2 under resolution proceedings so that it meets the conditions of the operating licence, continues operations in accordance with the operating licence and maintains the satisfactory confidence of the financial market.
2. In order to convert into equity or reduce the principal of claims or [debt instruments that are transferred] [1)] to the bridge institution, through the sale of operations or the asset separation tool pursuant to Parts B, C or D of this chapter.

Bail-in tools can only be applied pursuant to point 1 of the first paragraph if there is a real chance that bail-in tools and other appropriate measures for the restructuring of operations pursuant to Article 60 are sufficient to rebuild the undertaking’s or entity’s finances and secure an operating basis for the future. Even if conditions pursuant to the first sub-paragraph are not met, bail-in tools may be applied pursuant to point 2 of the first paragraph and other resolution tools.

Bail-in tools may be applied regardless of the legal form of the undertaking or entity and its legal form may be changed if necessary.

[1)]Act no. *38/2021, Art. 9.*

Article 55

Scope of bail-in tools.

The application of bail-in tools shall be assessed in accordance with Chapter VII, as applicable:

1. how much the [bail-inable][1)] liabilities need to be reduced in order for the value of the net assets of the undertaking or entity to be equal to zero, and
2. how much is required to convert the [bail-inable][1)] liabilities into equity or other financial instruments in order to restore the Common Equity Tier 1 of the undertaking,

entity or bridge institution.

The bail-in tools may not cause the member or creditor more losses than he/she would have suffered if the undertaking or entity had been included in winding-up proceedings or bankruptcy proceedings.

If financial instruments have been written down pursuant to Chapter VI and bail-in tools applied pursuant to Article 54, an update may be applied for the benefit of creditors and then, if applicable, a member, if the write-down that was based on a preliminary valuation pursuant to Article 31 was greater than justified, based on the final valuation pursuant to Article 32.

The resolution authority shall at all times have access to information and have a system in place to be able to assess the value of the assets and liabilities of an undertaking or entities in resolution proceedings.

[1)]Act no. *38/2022, Art. 189.*

Article 56

Restrictions on bail-in tools..

Bail-in tools can be applied to the liabilities of an undertaking or entity. However, bail-in tools cannot be applied to the following liabilities:

1. Guaranteed deposits within the meaning of the Act on Deposit Guarantees and Investor Compensation Schemes.
2. Guaranteed liabilities, including covered bonds, cf. the Act on Covered Bonds and financial instruments intended for hedging and which are considered part of the collateral portfolio and have the same protection under the law as covered bonds. [The provision of the first sub-paragraph does not prevent a waiver from being applied to any part of the secured liabilities which amounts to a higher amount than the calculated value of the collateral.][1)]
3. Liabilities due to assets managed by an undertaking or entity on behalf of its customers, including assets of mutual funds and alternative investment funds, cf. the Act on Mutual Funds and the Act on Alternative Investment Fund Management Companies, and benefit from protection pursuant to Article 109 of the Bankruptcy Act, etc.
4. A liability that arises by virtue of a fiduciary relationship between an undertaking or entity and a rights holder, provided that such a rights holder enjoys protection pursuant to Article 109 of the Bankruptcy Act or other laws.
5. Liabilities to companies other than those within the same group, which fall due within seven days.
6. Liabilities that fall due within seven days in relation to payment and securities settlement systems, cf. Act on the Security of Transfer Orders in Payment Systems, or participants in such systems resulting from their participation in the systems.
7. Obligations to employees, including unpaid earned salaries, pension fund contributions, earned vacation time and other terms of employment, but not bonuses unless they are determined by general wage agreements.
8. Business debts on the purchase of goods and services necessary for the day-to-day operations of the undertaking or entity.
9. Debts to the tax authorities and social security if they are given priority in bankruptcy proceedings.
10. Unpaid contributions to the Depositors' and Investors' Guarantee Fund [for financial undertakings][2)] cf. Act on Deposit Guarantees and Investor Compensation Schemes.

In special circumstances, the resolution authority is authorised in its application of bail-in

tools to exclude certain liabilities in whole or in part when:

1. it is not possible to apply a bail-in tool to a liability within a reasonable time;

2. the liability is necessary to continue the critical functions and core business lines and maintains the undertaking's ability under resolution proceedings to conduct business and provide services,

3. The liability is necessary to avoid contagious effects, particularly for the eligible deposits of individuals, micro, small and medium-sized enterprises, and is intended to stem the volatility of financial markets and their infrastructure, which could lead to serious disruptions to economic activity in Iceland or in the European Economic Area, or

4. The application of bail-in tools on the liability causes financial losses to other creditors which exceed what they would have been had the liability been exempted from bail-in tools.

Before a final decision is made to exempt the liability from bail-in tools pursuant to the second paragraph, the proposed decision shall be notified to the EFTA Surveillance Authority. If the requirements of this Article and Article 57 are not fulfilled and a financial contribution from the Resolution Fund is expected for the exemption or other government financing pursuant to Article 57, the EFTA Surveillance Authority may, within 24 hours of such a notification, prohibit or restrict this exemption. The deadline may be extended in consultation with the Resolution Authority.

The minister shall set rules[3)] on the circumstances under which an exemption may be authorised pursuant to the second paragraph.

[1)]Act no. *38/2021, Art. 10.* [2)]Act no. *48/2022, Art. 2.* [3)] Reg. *95/2021.*

Article 57

Authorisation to exclude eligible liabilities from bail-in tools.

When there is a decision to exclude or partially exclude an eligible liability or class of eligible liabilities pursuant to the second paragraph of Article 56, the level of write down or conversion applied to other eligible liabilities may be proportionally increased to take account of such exclusions.

However, no eligible liability shall be subject to a greater write-down than would have been the case if the undertaking or entity had been included in winding-up or bankruptcy proceedings.

When a decision is made to exclude or partially exclude an eligible liability or class of eligible liabilities from bail-in tools, pursuant to the second paragraph of Article 56, and the bail-in amount these liabilities would have otherwise received is not offset by other eligible liabilities in accordance with the first paragraph, a financial contribution may be made to an undertaking or entity in the resolution proceedings from a resolution fund in order to achieve one or both of the following objectives:

1. Add the amount which is not absorbed by other eligible liabilities to the extent that the equity position of the undertaking or entities under resolution proceedings is equal to zero, cf. point 1 of the first paragraph of Article 55.

2. Purchase holdings or financial instruments issued by an undertaking or entity under resolution proceedings for the purpose of refinancing it, cf. point 2 of the first paragraph of Article 55.

It is only permitted to make a financial contribution from a resolution fund pursuant to the second paragraph when:

1. members, holders of financial instruments and holders of the [bail-inable][1)] liabilities have, by bail-in tools or otherwise, submitted to an undertaking or entity in resolution proceedings at least 8% of its total liabilities, including equity, as they are valued

according to Chapter VII with the application of resolution actions, and

2. the financial contribution of the resolution fund does not exceed 5% of the total liabilities of the undertaking or entities under resolution proceedings, including equity, as they are valued according to Chapter VII with the application of resolution proceedings.

Under special circumstances, the resolution authority may seek further financial contributions when the benchmark pursuant to point 2 of the third paragraph is reached and all unsecured and non-priority liabilities, other than eligible deposits, have been written down or fully converted.

When all the liabilities of an undertaking or entities to which bail-in tools may be applied pursuant to Article 56 have been written down or converted and the Depositors' and Investors' Guarantee Fund [for financial undertakings][2)] has made a financial contribution pursuant to Article 82, the Resolution Fund may make a financial contribution pursuant to the second and third paragraphs.

[1)]Act no. *38/2022, Art. 190.* [2)]Act no. *48/2022, Art. 2.*

Article 58

Sequence of write down and conversion with bail-in tools.

When applying the bail-in tool, write down and conversion powers shall be exercised in the following order:

1. Common Equity Tier 1 items are reduced in accordance with point 1 of the first paragraph of Article 27.
2. If the write-down pursuant to point 1 is less than the sum of the amounts referred to in points 2 and 3 of Article 63(3), the principal amount of the financial instrument that is considered Additional Tier shall be reduced to the extent required and to the extent of their capacity.
3. If the write-down pursuant to points 1 and 2 is less than the sum of the amounts referred to in points 2 and 3 of Article 63(3), the principal amount of the financial instrument that is considered Tier 2 equity shall be reduced to the extent required and to the extent of their capacity.
4. If the write-down pursuant to points 1 and 3 is less than the sum of the amounts referred to in points 2 and 3 of Article 63(3), the principal of the subordinated debt that is not considered Additional Tier 1 or Tier 2 capital in accordance with the hierarchy of claims in [resolution and winding-up proceedings pursuant to Article 85(a)][1)] to the extent required to produce the sum of the amounts referred to in points 2 and 3 of Article 63(3).
5. If the write-down pursuant to points 1-4 is less than the sum of the amounts referred to in points 2 and 3 of Article 63(3), the principal of other remaining [bail-inable liabilities, including debt instruments as provided for in point 3 of the first paragraph of Art. 85(a)],[2)] shall be reduced in accordance with the hierarchy of claims in [resolution and winding-up proceedings pursuant to Article 85(a)][1)] to the extent required to produce the sum of the amounts referred to in points 2 and 3 of Article 63(3).

When bail-in tools are applied, the amount of the losses pursuant to points 2 and 3 of Article 63 shall proportionally be the same between holdings, on the one hand, and eligible liabilities of the same rank [bail-inable][2)] liabilities on the other hand, unless the provisions of the second paragraph of Article 56, cf. Article 57(1) apply. The provision of the first sub-paragraph does not prevent liabilities which are excluded from bail-in tools pursuant to the first and second paragraphs of Article 56 from receiving more favourable treatment than liabilities which are of the same rank in insolvency or bankruptcy proceedings.

Before the principal of liabilities pursuant to point 5 of the first paragraph is written down, the principal of instruments referred to in points 2-4 of the first paragraph, shall be written down or converted if they have not already been so, provided that they contain provisions that provide for a reduction in their principal under certain circumstances related to the financial position, solvency or equity position of an undertaking or entities or conversions into holdings under similar circumstances.

If the instruments referred to in points 2 to 4 of the first paragraph have only been partially reduced due to circumstances pursuant to the third paragraph, bail-in tools shall be applied to the outstanding amount in accordance with the first paragraph.

[1)]Act no. *38/2021, Art. 11.* [2)]Act no. *38/2022, Art. 191.*

Article 59

Derivative agreements.

At the beginning of the resolution proceedings, the resolution authority may terminate or settle derivative contracts. Bail-in tools may also be applied to the liabilities arising from derivative contracts at or after their settlement, unless they are exempt from the bail-in tools pursuant to the second paragraph of Article 56. No write-down or conversion of a derivative contract shall be made unless it has previously been terminated and settled.

If derivatives trading is part of a netting agreement, the valuation pursuant to Chapter VII covers the obligation arising from the trading on a net basis in accordance with the terms of the agreement.

Liabilities arising from derivative contracts shall be assessed in accordance with the following:

1. Each class of derivative contract, including trading due to netting agreements, shall be assessed according to the appropriate methodology.
2. Principles for appropriate time limits on the value of individual derivative contracts.
3. Appropriate methodology for comparing impairments that would result from, on the one hand, settlements and the bail-in of a derivative contract and, on the other hand, losses in a derivative contract due to bail-in.

The Central Bank of Iceland issues rules[1)] which further specify the methodology and principles for the assessment pursuant to the third paragraph. [1)]*Reg. 666/2021.*

Article 60

Restructuring of operations following bail-in.

When bail-in tools pursuant to Article 54 are applied to refinance an undertaking or entity, the board of the undertaking or entities or resolution board which is appointed pursuant to the second paragraph of Article 37, cf. Article 38, shall be entrusted with the task of reorganising operations and working according to a plan.

The operational restructuring plan shall specify the measures that need to be taken in order to ensure the operability of an undertaking or entity and shall be based on a realistic assessment of the economic and financial conditions in the market in which the undertaking or entity operates. The plan shall take into account the current situation in the financial market and future outlooks with regard to best and worst case scenarios, taking into account the main weaknesses in the operations of the undertaking or entity, and it shall at least include the following:

1. A detailed analysis of the factors and problems of the undertaking or entity which caused the undertaking or entity to fail and the circumstances that led to the

difficulties.

2. A description of the actions that are planned to be taken to ensure the operational viability of the company or entity for the future.

3. Timeframe for the implementation of measures

Within one month of the application of the bail-in tools, the board of the undertaking or entity, or the resolution board that has taken over the board pursuant to the second paragraph of Article 37, cf. Article 38, shall submit to the resolution board a plan for the restructuring of operations. Under special circumstances, the time limit may be extended by one month.

The resolution authority shall, within one month of receiving the plan for the restructuring of operations, assess whether it is likely that it will be able to ensure the operational viability of the undertaking or entity in the future. The plan shall be approved if its objectives are considered to be viable.

If the objectives of the plan are not considered to have been achieved cf. the fourth paragraph, it shall be notified to the board of the undertaking, entity or the resolution board. The notification shall specify which elements are unsatisfactory and require remedial action. The board of directors of an undertaking or entity or the board of directors has a maximum of two weeks to submit an updated plan for approval. Within one week of receipt of the updated plan, it shall be approved or further comments submitted.

The board of an undertaking, entity or resolution board shall implement the plan when approval is available and send a report on the progress of the work every six months.

The board of an undertaking, entity or resolution board shall review the plan for restructuring operations after the commencement of its implementation if the resolution authority deems it necessary for its objectives to be achieved pursuant to the second paragraph. Any amendments to the plan shall be submitted to the resolution authority for approval.

If bail-in tools are applied to more than one undertaking or entity within a group, the parent company in the European Economic Area shall draw up a plan for the restructuring of operations covering all undertakings or entities of the group. The parent company shall send the plan to the group-level resolution authority, which shall forward it to other resolution authorities where the group has operations and the European Banking Authority.

The Central Bank of Iceland issues the rules[1)] which further stipulate the content of plans pursuant to the second paragraph and reports pursuant to Paragraph 6.

[1)]*Reg. 666/2021.*

CHAPTER XI
General powers of resolution, etc.

Article 61
General powers.

The resolution authority shall have the necessary powers of resolution, which may be applied individually or jointly, to apply resolution tools to an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2, which meets the resolution proceedings conditions. General powers of resolution include:

1. Request information from individuals and legal entities regarding the implementation of the Act, cf. Articles 7 and 12,

2. acquire control of an undertaking or entity under resolution proceedings and exercise all the powers which the members and board of the undertaking or entity possess, cf. Chapter IX,

3. transfer holdings issued by an undertaking or entity under resolution proceedings,

cf. e.g. Parts B and C of Chapter X,

4. transfer the rights, assets or liabilities of an undertaking or entities under resolution proceedings to the transferee with his consent, cf. Parts B, C and D of Chapter X.

5. write down the principal or outstanding due amount of the liabilities of an undertaking or entities under resolution proceedings, cf. Chapter VI and Part E of Chapter X,

6. convert the liabilities of an undertaking or entities under resolution proceedings into holdings in the undertaking, entity, parent company or bridge institution to which the assets, rights or liabilities are transferred, cf. Chapter VI and Part E of Chapter X,

7. invalidate [issued debt instruments][1)] by an undertaking or entity under resolution proceedings, cf. Chapter VI, Part E of Chapter X and Article 63, except for liabilities that are exempt from bail-in tools pursuant to the first paragraph of Article 56,

8. reduce the nominal value of the holdings of an undertaking or entities under resolution proceedings or write off such holdings, cf. Chapter VI and Article 39,

9. require an undertaking or entity under resolution proceedings to issue new holdings or financial instruments, including priority components and conditional variable instruments,

10. terminate or settle derivative contracts for the purpose of applying Article 59;

11. instruct the Financial Supervisory Authority to conduct a timely assessment of the buyer's eligibility to hold a qualifying holding by deviating from the time limit pursuant to Chapter VI of the Act on Financial Undertakings, cf. Article 42,

12. dismiss the board members and managing directors of an undertaking or entities under resolution proceedings. The board and managing director of an undertaking or entity shall be replaced unless otherwise necessary to achieve the objectives of resolution proceedings pursuant to Article 1,

13. require that the board and managing director of an undertaking or entities under resolution proceedings provide the resolution authority, and if applicable the resolution board pursuant to Article 38, all necessary assistance, if they have not been dismissed,

14. demand that an undertaking or entity under resolution proceedings or bridge institution be wound up. When the resolution authority uses powers pursuant to the first paragraph, it is not bound by the following:

1. Authorisations or consent from certain individuals or legal entities, whether public or private, including members or creditors of an undertaking or entities under resolution proceedings, unless otherwise provided by this Act.

2. Prior notice to certain parties, e.g. on publishing notices or descriptions or statements or registering data with another party, cf. however, the fifth paragraph of Article 35.

The use of powers pursuant to the first paragraph is without prejudice to any restriction or requirement of consent for the transfer of any relevant financial agreements, rights, assets or liabilities that may otherwise apply.

[1)]Act no. *38/2021, Art. 12.*

Article 62

Additional powers.

When applying powers of resolution, the resolution authority may:

1. decide that the transfer shall take effect without any liability or guarantee affecting the financial instrument, the rights, the assets or the liabilities that are transferred, cf. however, Article 75,

2. revoke the rights to purchase additional holdings,

3. instruct the Financial Supervisory Authority to suspend trading in financial instruments or withdraw them from trading, and

4. require that an undertaking or entity under resolution proceedings and its counterparty exchange information and provide assistance to each other.

Authorisations may only be applied pursuant to the first paragraph if they are necessary to ensure the efficient application of resolution actions or to achieve one or more of the objectives of resolution proceedings pursuant to Article 1.

The resolution authority shall have the necessary access to all the services or facilities of an undertaking or entity under resolution proceedings or undertakings or entities within a group to enable the recipient to operate the transferred business efficiently.

In the application of powers of resolution, a continuous arrangement shall be ensured so that the recipient can operate the transferred operation of an undertaking or entity under resolution proceedings. Such arrangements shall in particular include the following:

1. The continuation of agreements to which an undertaking or entity under resolution proceedings is a party so that the recipient receives all the rights and liabilities of an undertaking or entity under resolution proceedings pertaining to all the financial instruments, rights, assets or liabilities that have been transferred and shall unequivocally and without reservation accept all relevant contractual documents of the undertaking or entity under resolution proceedings.

2. A substitution of parties in any litigation in connection with a financial instrument, rights, asset or obligation that has been transferred.

The powers of the provision shall not affect the right of an employee of an undertaking or entity under resolution proceedings to terminate an employment contract. Furthermore, the powers shall not affect the right of a party to exercise the rights deriving from a contract, including termination rights, in accordance with the terms of the contract regarding the activities or inactivity of the undertaking or entity in the resolution proceedings for the transfer in question, or by the recipient after the transfer, cf. Articles 70-73 however.

Article 63

Position of members in write-down or conversion, including bail-in tools.

When a write-down or conversion is applied to financial instruments pursuant to Article 27 or when bail-in tools are applied pursuant to Article 54, one or both of the following methods shall be used:

1. Write off share capital or other holdings in the undertaking or entity or transfer them to creditors who have agreed on bail-in tools.

2. Dilute the holdings of members, provided that the net assets of the undertaking or entity are positive according to the valuation, cf. Chapter VII.

The provision of the first paragraph also applies to holdings that have been created:

1. due to the conversion of debt instruments into holdings in accordance with the contractual provisions of the instruments, before or at the same time as an assessment of whether the conditions for resolution proceedings for an undertaking or entity are met;

2. due to the conversion of financial instruments into Common Equity Tier 1 pursuant to Article 28.

When evaluating a method pursuant to the first paragraph, the resolution authority shall take into account:

1. the valuation pursuant to Chapter VII,

2. the Common Equity Tier 1 needs to be reduced by and the amount that needs to be written down or converted into relevant financial instruments pursuant to the first

paragraph of Article 28, and

3. the scope of the bail-in tools pursuant to Article 55.

The provision of Article 42 applies if bail-in tools or a conversion result in the recipient being considered to have acquired or increased a qualifying holding in the undertaking or entity.

Article 64

Conversion rate.

When a write-down or conversion is applied to financial instruments pursuant to Article 27 or when bail-in tools are applied pursuant to Article 54, different conversion rates may be used for different classes of financial instruments and liabilities in accordance with one or both of the following methods:

1. The conversion rate shall reflect the appropriate compensation to the creditor for the loss incurred.
2. When different conversion rates are applied, the conversion rate shall be highest according to the ranking of the liabilities in the hierarchy of claims [resolution and winding-up proceedings pursuant to Article 85(a)].[1)]

[1)]Act no. *38/2021, Art. 13.*

Article 65

Legal effects of bail-in tools.

The write-down or conversion of financial instruments pursuant to Article 27, cf. however, the 4th paragraph of Article 6, or bail-in tools pursuant to Article 54 shall enter into force immediately and bind an undertaking or entity under resolution proceedings, creditors and members.

All the necessary decisions may be made to enable a write-down, conversion or bail-in to take place. Other authorities and relevant bodies are obliged to provide the necessary assistance in the implementation, including:

1. amendment to the relevant registration,
2. de-listing of holdings or debt instruments,
3. listing of new holdings or their admission to trading, and
4. re-listing of previously de-listed and written-off debt instruments without issuing a prospectus or similar documents pursuant to the Act on Securities Transactions.

If the principal of a liability is written off in full or the sum due of the liability, the liability together with other liabilities and claims arising therefrom is deemed to have elapsed. If the obligation is partially written down, that write-down is considered final, but the remaining instrument or agreement that established the obligation shall continue to apply.

Article 66

Scope of other legislation.

Provisions 1, 6, 7, 9, 13, 19, 20, 33, 34, 36-38, 40, 41, 43, 45, 45, 47, 51, 53, 54, 81, 84, 86, article 88(a) - Article 88(e), 93, 94, 119-131, 133, Article 133(a) - Article 133 (f), 134, 148-151 and Article 160 of the Act on Limited Liability Companies and Article 100 of the Act on Securities Transactions do not apply if resolution actions have been applied to an undertaking or entity under resolution proceedings.

The provisions of Articles 5, 7 and 8 of the Act on Financial Collateral Arrangements do not apply if there are restrictions on the enforcement of financial collateral measures on the effects of collateralisation agreements on financial collateral arrangements, payment adjustments, close-out netting or set-off arrangements in the application of powers pursuant

to Chapters VI, IX or XII.

If resolution actions have been employed, the provisions of Article XII regarding Financial Undertakings shall apply, except for Article 106 of the Act, also if it applies to entities pursuant to points (b) to (d) of the first paragraph of Article 2.

Article 67

Adjournment of proceedings.

The resolution authority may request that a court of law adjourn the proceedings to which an undertaking or entity under resolution proceedings is a party, if it is necessary to enable the resolution action to be applied.

CHAPTER XII
Powers to take contractual measures

Article 68

Powers to repeal or amend the terms of a contract.

The resolution authority may repeal or amend the terms of agreements entered into by an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 under resolution proceedings when it is necessary to ensure the execution of a resolution action. When applying the provisions of the first sub-paragraph, the principle that the parties and creditors shall not suffer more damage as a result of a resolution action than they would have suffered in the event of a liquidation or bankruptcy of the estate of an undertaking or entity, cf. Article 80. shall be observed.

Article 69

Contractual terms set aside.

If a measure is taken pursuant to Articles 15, 16, 27 or a resolution action on an undertaking or entity, the actions, including events arising therefrom, do not correspond to a default under the agreement on financial collateral arrangements nor are they equivalent to a ruling on a licence of cessation of payments, authorisation to seek composition or bankruptcy proceedings under the Bankruptcy Act, etc. The provision of the first sub-paragraph is subject to the condition that the undertaking or entity continues to fulfil the principal obligations of a contractual relationship, inter alia regarding payments, delivery and the granting of collateral rights.

The content of an undertaking or entity beyond the principal obligations of a contractual relationship pursuant to the second sentence of the first paragraph provide that the contractual parties of an undertaking or entity do not automatically have the right to:

1. Exercise the right to terminate, cancel, repeal or amend contractual obligations or netting or set-off arrangements on the basis of a contract,
2. acquire ownership, control or acquire collateral rights owned by the undertaking or entity;
3. affect the contractual rights of the undertaking or entity.

The provisions of the first and second paragraphs apply to agreements entered into by a subsidiary and which the parent company or other undertaking or entity within a group guarantees or otherwise supports. The provisions of the first and second paragraphs also apply to agreements between undertakings or entities within a group that include cross-default provisions.

Restrictions on contractual rights and obligations arising from Articles 70-73 are not

considered defaults or breaches of contractual obligations pursuant to Paragraphs 1 and 3.The provisions of this Article do not in any way limit the powers pursuant to [Article 107(f)][1] of the Financial Undertakings Act.

[1]Act no. *38/2022, Art. 192.*

Article 70

Authorisation to suspend certain obligations.

The resolution authority may suspend payment or delivery under agreements established by an undertaking or entity under resolution proceedings, cf. the fourth paragraph, however. The suspension applies from the notice of suspension pursuant to the fifth paragraph of Article 35 until midnight on the following working day.

Payment or delivery under a contract which was supposed to be made during the suspension period shall be made immediately after the end of the suspension period.

If a payment or delivery according to an agreement is suspended pursuant to the first paragraph, the obligation to pay or deliver of the contracting party of the undertaking or entity shall also be suspended during the same period.

Suspension of payment or delivery pursuant to the first paragraph does not apply to the following:

1. Guaranteed deposits cf. the Act on Deposit Guarantees and Investor Compensation Schemes.
2. Liabilities in payment and securities settlement systems and participants in such systems, cf. Act on the Security of Orders in Payment Systems and Securities Settlement Systems, Central Counterparties and Central Banks.
3. Customer claims protected by the Securities Department of the Depositors' and Investors' Guarantee Fund [for financial undertakings][2] cf. Act on Deposit Guarantees and Investor Compensation Schemes.

[1]Act no. *48/2022, Art. 2.*

Article 71

Authorisation to suspend creditors' rights to foreclose on the collateral.

The resolution authority may suspend creditors' right to foreclose on the collateral of an undertaking or entity under resolution proceedings. The suspension applies from the notice of suspension pursuant to the fifth paragraph of Article 35 until midnight on the following working day.

A suspension pursuant to the first paragraph does not apply to liabilities in payment and securities settlement systems and participants in such systems, cf. Act on the Security of Orders in Payment Systems and Securities Settlement Systems, Central Counterparties and Central Banks.

If the provisions of Article 78 apply, it shall be ensured that the suspension pursuant to the first paragraph is carried out in a coordinated manner with all the undertakings or entities within a group to which the resolution actions are applied.

Article 72

Authorisation to suspend termination rights.

The resolution authority may suspend the termination rights of contracting parties under agreements established by an undertaking or entity under resolution proceedings, cf. Article 73, however. The suspension applies from the notice of suspension pursuant to the fifth paragraph of Article 35 until midnight on the following working day.

The resolution authority may defer the termination rights of contracting parties in agreements established by a subsidiary of the undertaking or entities under resolution proceedings if:

1. An undertaking or entity under resolution proceedings guarantees or otherwise supports liabilities under the agreement,
2. the termination right of the agreement is based on the financial position or insolvency of an undertaking or entity under resolution proceedings, and
3. assets, rights or liabilities have been transferred or are planned to be transferred by an undertaking or entity under resolution proceedings to another legal entity and all assets and liabilities of the subsidiaries of the undertaking or entity pertaining to the relevant agreement have been or will be transferred to the legal entity or the resolution authority otherwise guarantees the high performance of such an obligation.

The suspension of termination rights pursuant to the second paragraph applies from the publication of the notice of suspension pursuant to the fifth paragraph of Article 35 until midnight on the next working day in the Member State where the subsidiary is registered.

The authorisation to suspend pursuant to Paragraphs 1 and 2, does not apply to liabilities in payment and securities settlement systems and participants in such systems, cf. Act on the Security of Orders in Payment Systems and Securities Settlement Systems, Central Counterparties and Central Banks.

Article 73

Restrictions on authorisation to suspend termination rights.

Notwithstanding the provisions of the first and second paragraphs of Article 72, a contracting party may exercise termination rights on an agreement before the deadline pursuant to the second sentence of the first paragraph or the third paragraph of Article 72 has expired, if the contracting party has received a notification from the resolution authority that the rights and liabilities under the agreement will not be transferred to another legal entity or written down or converted by the application of bail-in tools pursuant to Article 54.

A contracting party may exercise the right of termination of a contract in accordance with the provisions of the contract after the expiry of the time limit pursuant to the second sentence of the first paragraph or the third paragraph of Article 72, cf. the second paragraph of Article 69, however, if the following applies:

1. The resolution authority has transferred rights and liabilities under a contract to another legal entity and it does not fulfil contractual provisions which give the contracting party the right to terminate.
2. The rights and liabilities under the agreement are not transferred to another legal entity and bail-in tools pursuant to Article 54 have not been applied.

Article 74

Contracts regarding financial collateral, set-off and netting arrangements.

The resolution authority shall ensure the continuation of agreements on the transfer of ownership rights in financial collateral arrangements, cf. Act on Financial Collateral Arrangements, set-off arrangements and netting arrangements to prevent the transfer of the part of the rights and liabilities which are covered by such agreements between an undertaking or an entity under resolution proceedings and contracting parties. The same applies to the amendment or termination of rights and liabilities covered by such agreements, cf. Article 77, however.

Continuation of the agreement pursuant to the first paragraph is considered guaranteed if

the contracting parties have the right to set off the debts and payments pertaining to all the rights and liabilities covered by the relevant agreement.

The Minister shall issue a regulation[1)] which further stipulates the categories of agreements covered by this Article.

Reg. *95/2021.*

Article 75

Collateral arrangements.

The resolution authority shall ensure the continuation of agreements on guarantees for liabilities covered by the agreements, cf. Article 77, however, in order to prevent the following:

1. the transfer of assets that have been pledged as collateral, unless the obligation and the collateral associated with it are also transferred,
2. the transfer of an obligation for which a guarantee has been provided, unless the rights to collateral pledged are also transferred,
3. transfer of rights to collateral pledged, unless the obligation related to the rights is also transferred, or
4. amendment or termination of an agreement on the guarantee of an obligation arising from the application of other powers of resolution, if such an amendment or termination results in there no longer being a guarantee for the obligation covered by the agreement.

The Minister shall issue a regulation[1)] which further stipulates the categories of agreements covered by this Article.

Reg. *95/2021.*

Article 76

Structured finance arrangements.

The resolution authority shall ensure the continuation of structured finance arrangements, such as covered bonds, to which an undertaking or entity under resolution proceedings is a party, cf. Article 77, however, in order to prevent the following:

1. the transfer of any part of the assets, rights or liabilities arising out of such structured finance arrangements; or
2. termination or amendment of rights and liabilities arising from such a structured finance arrangement or change in the position of an asset.

The Minister shall issue a regulation[1)] which further stipulates the categories of agreements covered by this Article.

Reg. *95/2021.*

Article 77

Restrictions on guaranteed deposits.

Notwithstanding Articles 74-76, the resolution authority is authorised to transfer guaranteed deposits to ensure access to deposits, cf. Act on Deposit Guarantees and Investor Compensation Schemes, which are part of agreements pursuant to Articles 74-76 without transferring other assets, rights or liabilities under the same agreement. It is also permitted to transfer assets or transfer, amend or terminate rights and liabilities without transferring guaranteed deposits.

Article 78

Impact on payment and securities settlement systems.

The application of resolution actions shall not affect the operation of netting and

securities settlement systems in accordance with the Act on the Security of Orders in Payment Systems and Securities Settlement Systems when the resolution authority:

1. transfers part of an undertaking or entity's assets, rights or liabilities under resolution proceedings to another legal entity, or

2. applies powers of resolution to cancel or alter the terms of a contract to which an undertaking or entity under resolution proceedings is a party, or changes contracting party.

Transfers, cancellations or alterations to the terms of a contract pursuant to the first paragraph shall not revoke a payment order pursuant to Chapter II of the Act on the Security of Orders in Payment Systems and Securities Settlement Systems, nor does it change or invalidate the execution of payment orders or netting according to Chapter II and IV of the same Act.

CHAPTER XIII

Government financial stabilisation tools

Article 79

Government financial stabilisation tools.

In special and unusual circumstances in the financial market, the Minister in charge of public finances, after consultation with the parliamentary Standing Committee which deals with fiscal matters, may, on behalf of the Treasury and pursuant to points (b) to (d) of the first paragraph of Article 2 contribute capital in the form of Tier 1 Equity or Tier 2, in accordance with the Act on Financial Undertakings or transfer holdings in the undertaking or entity to the State, provided that all of the following conditions are met:

1. The undertaking or entity is under resolution proceedings or fulfils the conditions for it to enter resolution proceedings.

2. The Minister considers, after receiving the opinion of the resolution authority, that the application of resolution tools is not sufficient to ensure one of the following:

a. the maintenance of financial stability,

b. the public interest, provided that the Central Bank of Iceland has previously granted a last resort loan,

c. the public interest, provided that there is a transfer of holdings in the undertaking or entity to the state, and that the undertaking or entity has previously received a capital contribution on the basis of this Article.

3. The members of the undertaking or entity and the owners of the relevant financial instruments and [bail-inable][1)] liabilities have contributed to the refinancing of the undertaking or entity an amount corresponding to at least 8% of its total liabilities, including the capital base, as assessed according to Chapter VII.

The resolution authority implements the decisions of the Minister in accordance with this Article and may apply powers of resolution for this purpose.

The Minister shall encourage an undertaking or entity that receives a capital contribution or is taken over in accordance with this Article to maintain good business practices to the extent that state ownership allows. The Minister shall sell the state's holding to a private party when circumstances allow.

[1)]Act no. *38/2022, Art. 193.*

CHAPTER XIV

Other provisions regarding resolution proceedings

Article 80

Limitation on losses of members and creditors.

The resolution authority shall ensure that the member and the creditor, including the Depositors' and Investors' Guarantee Fund [for financial undertakings][1] do not lose any more in the resolution proceedings of an undertaking or entities pursuant to points (b) to (d) of the first paragraph of Article 2 than they would have done with the winding-up proceedings of the undertaking or the bankruptcy of its estate. Compensation may be paid to them from the resolution fund if the loss is greater than it would have been in the event of dissolution or bankruptcy.

[1)]Act no. *48/2022, Art. 2.*

Article 81

Recovery of the cost of resolution actions.

The resolution authority and the resolution fund may recover justified costs in connection with resolution actions or government financial stabilisation tools in one or more ways by:

1. deducting the cost from the remuneration paid to members of an undertaking or entity under resolution proceedings, or the undertaking or entity;
2. demanding that the undertaking or entity under resolution proceedings pay the cost or
3. making a claim for the cost of dissolution or bankruptcy of a bridge institution or asset management company.

A claim pursuant to point 2 or 3 of the first paragraph benefits from priority ranking pursuant to Point 2 of Article 110 of Bankruptcy Act no. 21/1991, upon the dissolution of the debtor.

Article 82

Use of funds of deposit guarantee schemes in resolution proceedings.

If a credit institution is considered for resolution proceedings by applying one or more resolution tools, the Depositors' and Investors' Guarantee Fund [for financial undertakings shall pay the resolution authority out of the fund's Deposit Department][1)] in accordance with the second and third paragraphs.

If a bail-in tool pursuant to Part E of Chapter X is applied, the Depositors' and Investors' Guarantee Fund [for financial undertakings][1)] shall pay an amount corresponding to the write-down of the guaranteed deposits that would have occurred in accordance with point 1 of the first paragraph of Article 55 if bail-in tools had been applied to the guaranteed deposits.

If one or more resolution tools, other than bail-in tools pursuant to Part E of Chapter X are applied, the Depositors' and Investors' Guarantee Fund [for financial undertakings][1)] shall pay an amount corresponding to the amount that the depositors of guaranteed deposits would have lost in the dissolution of the credit institution.

The resolution authority determines the amount which the Depositors' and Investors' Guarantee Fund [for financial undertakings][1] shall pay for the resolution proceedings of a credit institution pursuant to the first paragraph and the decision shall be taken in accordance with Article 30 or 31. The amount that the Depositors' and Investors' Guarantee Fund [for financial undertakings][1] pays pursuant to the first paragraph shall not exceed the loss, which the fund would have suffered upon the dissolution of the credit institution.

The amount shall not exceed 175% of the threshold pursuant to [the first paragraph][1)] of Article 5(b) of the Act on Deposit Guarantees and Investor Compensation Schemes.

Pursuant to Article 80, repayments shall be made from the resolution fund to [the deposits

department of the Depositors' and Investors' Guarantee Fund for financial undertakings][1) if the fund's payment pursuant to Paragraphs 2 or 3 has been higher than the loss which the fund would have suffered upon the dissolution of the credit institution according to the final valuation pursuant to Article 32.

When a bail-in tool pursuant to Part E of Chapter X is applied, the Depositors' and Investors' Guarantee Fund [for financial undertakings will not be required to make a capital contribution from the fund's deposit department][1)] to a credit institution or a bridge institution pursuant to Point 2 of the first paragraph of Article 55.

If the eligible liabilities of a credit institution under resolution proceedings are transferred pursuant to Parts B or C of Chapter X, the depositor has no claim against the Depositors' and Investors' Guarantee Fund [for financial undertakings][1)] for the part of the deposits which is not transferred, if the amount of transferred deposits is equal to or higher than the insurance coverage under the second paragraph of Article 9 of the Act on Deposit Guarantees and Investor Compensation Schemes.

[1)]Act no. *48/2022, Art. 4.*

Article 83

Restrictions on termination.

The transfer of assets, rights or liabilities of an undertaking or entity under resolution proceedings, a bridge institution or an asset management company in accordance with this Act will not be revoked on the basis of the Bankruptcy Act, etc.

Article 84

Demand for the dissolution of an undertaking.

The district court shall immediately notify the resolution authority of a request for a licence of cessation of payments a request to seek composition, or a demand for the dissolution or bankruptcy of an undertaking or entity. The district court shall reject the request or the demand if the resolution authority has already decided to take resolution action against the undertaking or entity or notify the district court within seven days that it intends to do so. This article does not apply to the resolution authority's demand for the dissolution of an undertaking or entity, cf. Point 14 of the first paragraph of Article 61.

Article 85

End of resolution proceedings.

The resolution authority shall complete the resolution proceedings when no further resolution actions are required.

An undertaking or entity shall, upon completion of the resolution proceedings, be wound up at the request of the resolution authority as soon as possible, in accordance with the objectives of this Act, unless the resolution proceedings have been aimed at the continued operations of the undertaking or entity.

[Article 85(a).

Priority of claims in resolution and winding-up proceedings.

Next in priority after the claims under Articles 109-112 of Bankruptcy Act etc. no. 21/1991, cf. Point 1(a) however, are the following claims against an undertaking or entity in the following order:

1. Deposit claims in the following order:

a. claims on guaranteed deposits and claims which the Depositors' and Investors' Guarantee Fund has taken over for guaranteed deposits are entitled to priority ranking

pursuant to Article 112 of Bankruptcy Act, etc. no. 21/1991,
b. claims on the eligible deposits of individuals, micro-enterprises and small and medium-sized enterprises in excess of the clearing threshold value of secured deposits,
c. claims on covered deposits of large undertakings that exceed the amount of guaranteed deposits,
d. claims on other deposits.
2. General unsecured claims.
3. Claims on debt instruments that meet the following conditions:
a. the initial contractual loan period is at least one year,
b. the instruments are not derivatives and do not contain embedded derivatives, and
c. the prioritisation of this item is specified in the terms of the contract and, if applicable, in the prospectus prepared in connection with the issue.
4. Claims pursuant to points 1-3 of Article 114 of Bankruptcy Act etc., no. 21/1991, in the order stated therein.
5. Claims on subordinated loans other than relevant financial instruments.
6. Claims on financial instruments and subordinated loans, which are considered Tier 2 equity according to the Act on Financial Undertakings.
7. Claims for financial instruments that are considered additional Tier 1 equity according to the Act on Financial Undertakings.
8. Claims on Common Equity Tier 1 according to the Act on Financial Undertakings.

Debt instruments under this Article refer to bonds and other transferable debts as well as instruments that create or recognise a debt.][2)]

[1)]Act no. *48/2022, Art. 2.* [2)]Act no. *38/2021, Art. 14.*

CHAPTER XV
Resolution fund

Article 86
Resolution fund.

[A resolution financing arrangement called a resolution fund shall be established. The fund shall be kept as a designated department in the Depositors' and Investors' Guarantee Fund [for financial undertakings.][1)] The resolution authority makes decisions regarding payments from the resolution fund.

The size of the resolution fund shall amount to at least 1% of the guaranteed deposits [of all credit institutions licensed to operate in Iceland].[1)]

[The board of the Depositors' and Investors' Guarantee Fund for financial undertakings administers the resolution fund.][1)]

[1)]Act no. *48/2022, Art. 5.*

Article 87
Disposal of funds from the resolution fund.

The resolution authority may use funds from the resolution fund if necessary to ensure the effective application of resolution tools in accordance with this Act. Money from the resolution fund can be allocated to:

1. guarantee the assets and liabilities of an undertaking or entity under resolution proceedings, a subsidiary, a bridge institution or an asset management company;
2. provide loans to an undertaking or entity under resolution proceedings, a subsidiary, bridge institution or asset management company,
3. buy the assets of an undertaking or entity under resolution proceedings,

4. pay a financial contribution to a bridge institution or asset management company,
5. pay compensation to members or creditors in accordance with Article 80;
6. pay a financial contribution to an undertaking or entity under resolution proceedings instead of a write-down or conversion of certain creditors' liabilities in a bail-in, i.e. when bail-in tools are applied as a remedy and certain creditors are partially or wholly excluded from the bail-in in accordance with Articles 56 and 57.
7. make a financial contribution to an undertaking or entity under resolution proceedings in accordance with Article 57, or
8. implement the measures according to Points 1-7.

In the resolution proceedings of a group pursuant to Articles 90 and 91, the resolution authority and other relevant resolution authorities shall jointly draw up a resolution financing arrangement, which shall determine the division of financial contributions from the resolution fund and parallel financing arrangement in each individual Member State.

[Article 87(a).

Contribution to the resolution fund.

An undertaking must pay a contribution to a resolution fund if the size of the fund falls below the threshold laid down in the second paragraph of Article 86.

The resolution authority determines the contribution to the resolution fund.

An undertaking's contribution shall be determined annually and shall be a percentage of the undertaking's total liabilities less covered deposits and own funds [as defined under the Act on Financial Undertakings].[1)] The contribution must be determined with regard to the risk profile for each undertaking in accordance with Regulations (EU) 2015/63 and (EU) 2016/1434 which have legal force in Iceland, cf. Article 2(a). Notwithstanding the third paragraph, the undertaking must pay a fixed contribution to the resolution fund according to Article 10 of Regulation (EU) 2015/63 if the total value of its assets are less than the equivalent of one billion euros in Icelandic króna and total liabilities less own funds and covered deposits are equal to or less than the equivalent of 300 million euros in Icelandic króna.

The provisions of this article also apply, if applicable, to branches as provided for in point (e) of the first paragraph of Article 2.][2)]

[1)]Act no. *38/2022, Art. 194.* [2)]Act no. *48/2022, Art. 6. The article takes effect on 1 January 2023 according to Article 29 of the same Act.*

[Article 87(b)

Special supplementary contributions.

If the funds of the resolution fund are not sufficient to cover losses, costs or other expenses of the resolution fund according to the first paragraph of Article 87, the resolution authority may require undertakings and branches according to point (e) of the first paragraph of Article 2 to make a special supplementary contribution.

A special supplementary contribution must be obtained in accordance with Article 87(a) and can amount to up to three times the annual contribution determined according to that article.

The resolution authority can decide that a special supplementary contribution will be deferred in part or in whole for up to six months if the contribution can have a significant negative impact on the liquidity or solvency of an undertaking. The suspension period may be extended at the request of the undertaking. An undertaking must pay a deferred contribution when its payment no longer endangers the liquidity or solvency of the undertaking.

The minister issues a regulation[1] which specifies the circumstances and conditions for the suspension of a special supplementary contribution according to the third paragraph][2]
Reg. 95/2021, cf. no. 867/2022. [2]Act no. *48/2022, Art. 6.*

[(Article 87(c)

Borrowing and other financing of the resolution fund.

The resolution authority may decide that the resolution fund can borrow or raise capital in other ways, if the capital that is available in the fund and capital that can be raised in it with a special supplementary contribution as provided for in Article 87(b) are not sufficient to cover losses, costs or other expenses of the fund according to the first paragraph of Article 87.

The resolution authority may decide, with the prior approval of the minister, that the resolution fund can borrow through one or more parallel financing arrangements in another Member State if the funds referred to in the first paragraph are not sufficient to cover losses, costs or other expenses of the fund. In the same circumstances, the resolution fund is permitted, with the prior approval of the minister, to lend in a similar financing arrangement in another Member State.][1]
Act no. 48/2022, Art. 6.

Section 4
Relations with other countries
CHAPTER XVI
Resolution proceedings of a group with operations in another Member State

Article 88

Decisions and actions affecting another Member State.

The resolution authority shall, during the resolution proceedings of an undertaking or entity, pursuant to points (b) to (d) of the first paragraph of Article 2, which is part of a group in which a subsidiary is located in another Member State, take due account of the effects that decisions and actions under the law may have in the Member State, e.g. on financial stability, fiscal policy, financing arrangements similar to resolution funds and on deposit insurance schemes or investor compensation schemes. The resolution authority shall, in the resolution proceedings of an undertaking which operates an important branch in another Member State, take due account of the effects on the financial stability of the host Member State.

The provisions of the first paragraph apply to decisions and actions concerning an important branch or subsidiary in Iceland which belongs to or is owned by an undertaking established in another Member State.

Measures pursuant to Paragraphs 1 or 2 shall be taken as soon as possible following notification, disclosure and consultation with the resolution authority of the relevant Member State.

Article 89

Resolution colleges.

If the resolution authority has group-level resolution powers, it shall establish a co-operation forum called a resolution college with other resolution authorities, supervisory authorities and the European Banking Authority. Where applicable, the relevant ministries and bodies responsible for the Deposit Guarantee Scheme shall also be invited to participate in the Resolution College.

The role of the resolution college is to exchange information and create a forum for co-operation on the tasks provided for in this Act.

The Central Bank of Iceland shall set rules[1)] on the activities of resolution colleges in accordance with this Article.

[1)]*Reg. 666/2021.*

Article 90

Resolution proceedings of subsidiaries with a parent company in another Member State.

If the resolution authority determines that an undertaking or entity, which is a subsidiary of a parent company located in another Member State, fulfils the conditions for resolution proceedings pursuant to Article 35 it shall notify the group-level resolution authority and members of the resolution college of the group in accordance with Article 89.

The notification pursuant to the first paragraph shall include information on the decision pursuant to Article 35 and a list of the proposed resolution actions to be taken regarding the subsidiary. The resolution authority may implement resolution actions if the group-level resolution authority expects that the proposed measures will not have an effect on the group that the conditions for resolution proceedings are likely to be met in relation to an undertaking or entity in another Member State.

The resolution authority is not permitted to initiate a resolution action if the group-level resolution authority group has, within 24 hours of receiving notification pursuant to the first paragraph, sent information on the group's resolution proceedings arrangements to the resolution college, which specifies resolution actions for individual undertakings or entities within the group and the coordination of measures.

The resolution authority shall endeavour to make a joint decision on the arrangement of group resolution proceedings pursuant to the third paragraph with the group-level resolution authority and, if applicable, other resolution authorities of subsidiaries covered by the arrangement.

Notwithstanding the fourth paragraph, the resolution authority is authorised to take a resolution action regarding a subsidiary which it deems appropriate. Reasons for a disagreement regarding the arrangements for the group's resolution proceedings shall then be specified and reported to the group's resolution authority and other resolution authorities that fall under the arrangement.

If one of the resolution authorities withdraws from a group's resolution proceedings, the resolution authority may take a joint decision with other resolution authorities on the arrangement which then applies to undertakings or entities within a group in the Member States concerned.

Article 91

Resolution proceedings of the mother company of a group with a subsidiary company in another Member State.

If a resolution authority has group-level resolution powers and it determines that a parent company at the top level of a group in the European Economic Area, which has a subsidiary in another Member State, fulfils the conditions for resolution proceedings pursuant to Article 35, it shall notify the parties in the resolution college pursuant to Article 89.

The notification pursuant to the first paragraph shall include information on the decision pursuant to Article 35 and a list of the proposed resolution actions. The notification may include information on the group's resolution proceedings arrangements, which specifies the resolution actions for individual undertakings or entities within the group, as well as the coordination of operations, if any of the following apply:

1. It can be expected that resolution actions on the parent company will also lead to the conditions for resolution proceedings being met for an undertaking or entity within a group in another Member State.

2. It can be expected that resolution actions on the parent company alone will not be sufficient to stabilise the situation or yield an optimal result.

3. A resolution authority in another Member State has determined that the conditions for resolution proceedings are met in relation to a subsidiary in that country.

4. A subsidiary in another Member State will particularly benefit from resolution actions at group level.

If a notification pursuant to the first paragraph does not include information on the arrangements for the group's resolution proceedings pursuant to the second paragraph, the resolution authority may, after consultation with members of the resolution college, make a decision on the basis of this chapter for the group. If the notification contains information on the arrangements for the group's resolution proceedings, the decision shall be shared with the resolution authorities of the subsidiaries covered by the arrangement.

If one of the resolution authorities withdraws from a group's resolution proceedings, the resolution authority may take a joint decision with other resolution authorities on the arrangement which therefore applies to undertakings or entities within a group in the Member States concerned.

CHAPTER XVII
Activities outside the European Economic Area

Article 92

Resolution proceedings for a branch set up in Iceland by a financial undertaking established in a country outside the European Economic Area.

The resolution authority may decide that the branch of a company established in a state outside the European Economic Area shall be subject to resolution proceedings in Iceland if the public interest so requires and one or more of the following conditions are met:

1. The branch does not meet or is likely to no longer meet the conditions for its licence and it is unlikely that the involvement of private parties, the actions of the Financial Supervisory Authority or the home government will ensure that the requirements of the licence are respected within a reasonable timeframe.

2. The undertaking cannot or will not be capable, in the opinion of the resolution authority, of meeting its liabilities in Iceland or the liabilities arising from the branch's operations in Iceland when they fall due.

3. Resolution proceedings have been initiated in the home country or it has been announced that this is planned.

The decision on the resolution proceedings of a branch pursuant to the first paragraph shall be made on the basis of Article 35, taking into account that the objectives of the resolution proceedings, cf. Article 1. The provisions of Article 69, apply to the resolution proceedings of a branch and the resolution proceedings shall, as appropriate, follow the principles according to Points 12 and 13 of the first paragraph of Article 61 and Article 80 together with the requirements made for the application of resolution tools pursuant to Chapter X.

Section 5

Miscellaneous provisions

CHAPTER XVIII

Coercive measures and penalties

Article 93

Fines and periodic penalty payments.

If it transpires that an undertaking or entity pursuant to points (b) to (d) of the first paragraph of Article 2 does not comply with this Act or regulations or rules issued on the basis thereof, the resolution authority may demand that it be remedied within a reasonable time.

The Central Bank of Iceland may impose *per diem* fines if a party fails to take the requested remedial action within the deadline pursuant to the first paragraph. *Per diem* fines are imposed until the requirements of the resolution authority have been complied with. Fines can range from ISK 10,000 to ISK 1 million per day. In determining the amount of periodic penalty payments, consideration may be taken of the nature of the negligence or violation, and the financial strength of the entity in question.

Uncollected fines shall not be cancelled even if a party later complies with the demands of the resolution authority, unless the Central Bank specifically approves their reduction or cancellation.

Decisions regarding fines in accordance with this article are enforceable by law.

Fines shall accrue to the State Treasury, net of collection costs.

Article 94

Administrative fines.

The Central Bank of Iceland may impose administrative fines on anyone who violates the following provisions of this Act and regulations and rules issued on the basis thereof:

1. Article 12 on the provision of information when preparing a resolution plan.
2. Article 25 to keep a record of financial contracts.
[3. Article 14 of Regulation (EU) 2015/63, with an amendment according to Article 2(a), on the obligation to provide information regarding the payment of contributions into the resolution fund.][1)]

Fines imposed on individuals can range from ISK 100,000 to up to ISK 771 million.

Fines imposed on legal entities can amount to ISK 500,000 up to 10% of the total turnover according to the last approved annual accounts of the legal entity or 10% of the last approved consolidated accounts if the legal entity is part of a group.

The determination of fines according to this provision shall *inter alia* take into account all relevant events, including the following:

a. the gravity of the violation,
b. how long the violation has lasted,
c. liability of a legal entity,
d. the financial position of the offender,
e. the benefit of a violation or loss avoided by a violation,
f. whether the violation led to losses of a third party,
g. any possible systemic effects of the violation,
h. offender’s willingness to cooperate,
i. previous offences and whether there have been repeated offences.

Decisions on administrative fines are enforceable. Fines shall accrue to the State Treasury, net of collection costs. If administrative fines are not paid within a month of the decision of the Central Bank, penalty interest shall be paid on the amount of the fine. The determination and calculation of the penalty interest shall be governed by the Act on Interest and Price Indexation.

Administrative fines will be imposed regardless of whether a breach of the law is committed wilfully or negligently.

If an individual or legal entity violates this Act and regulations and rules issued on the basis thereof, and there is a financial benefit from the violation, the amount of the fine may be determined and could, notwithstanding the second paragraph, amount to up to twice the amount of the financial benefit that stood to be gained by the violation.

[1)]Act no. *48/2022, Art. 7.*

Article 95

Breaches of confidentiality.

Breaches of confidentiality pursuant to Article 8 shall be punishable by fines or imprisonment for up to one year, if no greater penalties are prescribed for such infringements in other laws.

Article 96

Settlement.

If a party has violated the provisions of this Act, regulations and rules issued on the basis thereof or decisions of the resolution authority on the basis thereof, the Central Bank of Iceland may settle the case with the consent of the parties. The settlement is binding for a party to the case when that party has accepted and confirmed the substance of the settlement by its signature. The Central Bank establishes further rules on the implementation of this provision.

Article 97

The right not to incriminate oneself.

In proceedings directed against an individual which may conclude with the imposition of an administrative fine, a person reasonably suspected of violation of the law is entitled to refuse to answer questions or surrender documents or other effects unless it is possible to exclude the possibility that this may have significance for the determination of his or her violation. The Central Bank of Iceland shall advise the suspect of this right.

Article 98

Limitation period for imposing administrative fines.

The power of the Central Bank of Iceland to impose administrative fines pursuant to his Act shall lapse when five years have passed from the time that the conduct ceased.

The limitation period under the first paragraph is interrupted when the Central Bank notifies the party of an investigation of an alleged violation. The interruption of the limitation period has legal effect for all the parties involved in the violation.

Article 99

Temporary ban due to the dismissal of the board and the managing director.

If the resolution authority suspends the board of an undertaking or entity in whole or in

part or the managing director pursuant to Point 12 of the first paragraph of Article 61, the Central Bank of Iceland may prohibit the party concerned from taking a temporary seat on a board or becoming the managing director of an undertaking or entity, provided that the undertaking or entity has seriously violated the provisions of the law, government directives or articles of association of an undertaking or entity or grave comments have been made to the relevant board.

Article 100

Publication of penalties.

The Central Bank of Iceland shall publish decisions on penalties imposed for violations of this Act and regulations and rules issued on the basis thereof. Decisions shall be published as soon as possible after the offender has been notified of the offence. The notification shall, as a minimum, state the type and nature of the offence and who is responsible for the offence. Information on penalties is not required if the violation is still under investigation.

If the publication pursuant to the first paragraph causes the party concerned damage which is disproportionate to the offence in question or the publication is considered to jeopardise the interests of the financial market or the interest of the investigation, the Central Bank shall:

a. postpone publication until such circumstances no longer exist,

b. publish information on the application of sanctions but postpone naming until such circumstances no longer exist,

c. not publish information if the publication pursuant to items (a) or (b) jeopardises the interests of the financial market or if the legitimacy for publishing the decision, compared to the interests in question, is negligible.

The Central Bank shall provide information in the same manner prescribed in the first paragraph if a lawsuit is instituted for the annulment of a decision on sanctions and the outcome of a case.

Information published in accordance with this Article shall be available on the Central Bank's website for a minimum period of five years. Personal information shall, however, not be accessible for longer than required for objective reasons under the Act on Personal Data Protection and Processing of Personal Data.

Article 101

Information on sanctions to the European Banking Authority.

The Central Bank of Iceland shall notify the European Banking Authority of sanctions imposed pursuant to this Act, including whether proceedings have been instituted for the annulment of sanction decisions and the outcome of those cases.

CHAPTER XIX
Other provisions

[Article 102.

Transposition.

This Act implements the provisions of the following Directives:

1. Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, with the exception of the provisions of Article 4. in the case of simple recovery plans, Articles [5-9, Articles 19-30 and Articles 25-106. The Directive was published in the EEA Supplement to the Official

Journal of the European Union no. 25 of 19 April 2018, p. 4–162.

2. Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy proceedings published in the EEA Supplement to the Official Journal of the European Union no. 87 from 17 December 2020, p. 341-346.][2)

[1)]Act no. *48/2022, Art. 8.* [2)]Act no. *38/2021, Art. 15.*

[Article 103.][1)]

Entry into force

This Act shall enter into force on 1 September 2020.

The Act shall be implemented with the payment of the contribution to the A-department of the Depositors' and Investors' Guarantee Fund on the due date as of 1 September 2020.

Act no. 38/2021, Art. 15.

104.][1)]

Amendments to other laws...

[1)]Act no. *38/2021, Art. 15.*

Temporary Provisions

[The board of the Depositors' and Investors' Guarantee Fund for financial undertakings must transfer ISK 26.3 billion from the deposit department of the fund to the resolution fund][1)] by no later than the end of 2022.

Act no. 48/2022, Art. 9.