

# ACT

## on the Financial Stability Council

**Entered into force on 6 June 2014.** Amended by: [Act no. 71/2019](#) (entered into force on 5 July 2019). [Act no. 91/2019](#) (entered into force 1 Jan. 2020, with the exception of Article 133, which entered into force on 16 July 2019).

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

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### CHAPTER I

#### Objective and Definitions

##### Article 1

###### *Objective*

[The objective of this Act is to ensure regular consultation and exchange of information between the Minister and the Central Bank of Iceland in order to promote and preserve financial stability in the public interest, prevent the accumulation of systemic risks and promote co-ordinated responses to special situations. To that end, the Financial Stability Council is entrusted with a specifically defined role under this Act.]<sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 23.](#)

##### Article 2

###### *Definitions*

For the purposes of this Act the following meanings shall apply:

1. ...<sup>1)</sup>
2. ...<sup>1)</sup>
3. *Financial system*: All legal entities that pursue financial activities within the meaning of the Act on Official Supervision of Financial Activities, including public loan funds

and pension funds, as well as financial markets, [systemically significant payment and settlement systems and the Central Bank of Iceland] <sup>1)</sup>

4. ... <sup>1)</sup>

5. ... <sup>1)</sup>

6. *Financial stability*: a condition whereby financial system activities are not subject to disruption or substantial disturbance and the system is able to withstand shocks and imbalances without negatively impacting capital transmission, payment mediation and distribution of risk.

7. ... <sup>1)</sup>

8. *Systemic risk*: When the interaction between the financial system and the real economy causes business cycle amplification, financial companies become vulnerable to the actions of other parties and there is a risk of a scenario that can threaten financial stability with the associated negative impact on the economy.

9. ... <sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 24.](#)

## CHAPTER II Financial Stability Council

### Article 3

#### *Role and structure*

The Financial Stability Council is a formal co-operation forum of public authorities for financial stability.

[The Financial Stability Council consists of the Minister, who is chair of the Council, and the Central Bank Governor. The chair shall call a meeting of the Council three times each year, or more often if one of the members considers this necessary.]<sup>1)</sup> The Financial Stability Council shall adopt rules of procedure and keep minutes of its meetings.

[The Central Bank of Iceland provides the Council with the information that the Council requests in order to fulfil its role and itself bears the costs of so doing.]<sup>1)</sup> The administration of the Financial Stability Council and preparation of its meetings is the responsibility of the Ministry.

<sup>1)</sup>[Act No. 91/2019, Article 25.](#)

### Article 4

#### *General tasks*

The Financial Stability Council serves as venue for consultation, exchange of information and policy formulation on financial stability and co-ordinates the preparedness of public authorities [if financial stability is threatened].<sup>1)</sup>

The principal tasks of the Financial Stability Council are the following:

- a. to formulate official policy on financial stability;
- b. to [monitor]<sup>1)</sup> economic imbalances, financial system risks, perverse incentives and other circumstances liable to jeopardise financial stability;
- c. [to assess the efficacy of macroprudential instruments];<sup>1)</sup>
- d. ...<sup>1)</sup>

The Financial Stability Council shall rely especially on proposals or analysis by the [Central Bank of Iceland]<sup>1)</sup> in carrying out its tasks as referred to in the second paragraph.

<sup>1)</sup>[Act No. 91/2019, Article 26.](#)

## Article 5 ...<sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 27.](#)

## Article 6

### *Special circumstances*

[The Financial Stability Council shall hold special meetings when financial stability is threatened or there is a risk of events that could cause significant contagion effects or damage to the financial market. The Central Bank of Iceland shall inform the Minister without delay if the Bank is of the opinion that circumstances as referred to in the first sentence have arisen.]<sup>1)</sup>

The Council shall assess what necessary actions or measures need to be taken...<sup>1)</sup> and co-ordinate the government's involvement.

[The Council shall inform the Economic and Trade Committee of the Althingi of the main actions and measures referred to in the second paragraph.]<sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 28.](#)

## CHAPTER III ...<sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 29.](#)

## CHAPTER IV

### **Miscellaneous provisions**

## Article 9

### *Data collection Confidentiality*

[The Central Bank of Iceland shall provide the Financial Stability Council with the information and data it possesses and which the Council deems necessary in connection with its role.

Information provided to the Council is subject to confidentiality under the Act on the Central Bank of Iceland.]<sup>1)</sup>

[Persons who sit on the Financial Stability Council ...<sup>1)</sup> are bound by a duty of confidentiality as provided for in Chapter X of the Administrative Procedures Act.]<sup>1)</sup>

<sup>1)</sup>[Act no. 91/2019, Article 30.](#) <sup>2)</sup>[Act no. 71/2019, Article 5.](#)

## Article 10

### *Transparency*

[The Financial Stability Council shall make its meeting minutes public within one month following the meeting, unless public disclosure could be expected to have a negative impact on financial stability.]<sup>1)</sup>

The Financial Stability Council shall annually, and more often if necessary, report to the Althingi on the principal aspects of its work. The rules of procedure of the Financial Stability Council must be publicly disclosed ...<sup>1)</sup>

The chair of the Financial Stability Council shall keep the cabinet informed of the Council's work and the government's preparedness and contingency plans for special situations. Leaders of political parties in the Althingi, who are not also ministers, shall be informed in the same way. If the chair of the Financial Stability Council ...<sup>1)</sup> requires that information provided be kept confidential, then strict confidentiality shall be maintained.

The provisions of the Information Act and the Administrative Procedures Act on access to data do not apply to meeting minutes and data prepared for the Financial Stability Council ...<sup>1)</sup> or handled by it.

<sup>1)</sup>[Act No. 91/2019, Article 31.](#)

#### Article 11

##### *Eligibility requirements*

Members of the Financial Stability Council ...<sup>1)</sup> may not undertake duties that could lead to their impartiality being called into question.

Persons who sit on the Financial Stability Council ...,<sup>1)</sup> as well as all those who attend the Council's meetings ...<sup>1)</sup> or work on [its]<sup>1)</sup> behalf, shall individually and voluntarily comply with their responsibilities regarding the handling of inside information and the status of insiders as laid down in the Act on Securities Transactions.

<sup>1)</sup>[Act No. 91/2019, Article 32.](#)

#### Article 12

##### *Entry into force*

This Act shall enter into force at once.