



Terms

for temporary authorisations for withdrawals from accounts subject to special restrictions and for foreign exchange transactions with the Central Bank of Iceland pursuant to Act no. 37/2016

1. The Central Bank of Iceland hereby presents the terms governing the temporary authorisation for foreign exchange transactions with the Bank. Transactions in accordance with these Terms take place through the intermediation of commercial banks or securities depositories that have deposit accounts with the Central Bank of Iceland.
2. According to Article 9, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, owners of offshore króna assets pursuant to Article 2, Item (a)-1(d) and 1(h) are authorised to withdraw funds from accounts subject to special restrictions and use them for foreign exchange transactions with the Central Bank of Iceland at a special reference exchange rate; cf. Article 2, Item 10 of the Act, until 1 November 2016. The disposal of foreign currency acquired by participants in trades according to these terms is exempt from the restrictions provided for in the Foreign Exchange Act, no. 87/1992, cf. Article 13(o) of that Act, and the restrictions provided for in Act no. 37/2016.
3. According to Article 9, Paragraph 2 of Act no 37/2016, owners of other types of offshore króna assets in forms other than cash, bonds, and bills issued by the Republic of Iceland or bearing an Icelandic Government guarantee (Article 2, Item 1(e) of the Act) are authorised to conduct foreign exchange transactions with the Central Bank at a special reference exchange rate, cf. Article 2, Item 10 of the Act, until 1 November 2016. Transactions shall be conducted so that the amount offered is equal to the market value of the offshore króna assets less the product of the market value of the offshore króna assets and a percentage of the Central Bank's official central exchange rate of the króna versus the euro on 20 May 2016 and the reference exchange rate, which can be expressed as follows: *

$$(1 - \frac{\text{Opinbert miðgengi Seðlabanka Íslands (evra)}}{\text{Viðmiðunargengi (kr.pr.evra)}}) * \text{Markaðsvirði aflandskrónueignar}$$

The market value of offshore króna assets shall be based on a reasoned valuation by an impartial chartered accountant of the fair value or cost value of the asset at the time the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions enters into force, as defined according to the Annual Accounts Act, but never lower than the nominal value of the underlying asset. Either the customer or the intermediary shall obtain the valuation at its own expense, and the chartered accountant must provide confirmation of impartiality. The Central Bank of Iceland is authorised to request further explanations or reject the results of the valuation if it is considered demonstrated that the valuation is not based on satisfactory premises. Data containing information on the market price shall be received by the Central Bank no later than at the end of the day on 1 November 2016. The assets underlying the transactions are exempt from the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions and the restrictions contained in the Foreign Exchange Act following settlement. It is not permitted to merge such transaction requests. The minimum time that the Central Bank requires to review requests for transactions is five (5) business days. The Central Bank reserves the right to reject transaction requests entirely or in part. The provisions of Item 9 apply to transactions according to this Item, as appropriate.

4. Requests for transactions shall be sent by intermediaries and are binding. At a minimum, the transaction request shall contain information on the volume of offshore krónur to which the request pertains, the account to be charged for the transactions, and, as appropriate, the account to which euros should be

* The coefficient in parentheses is 0.36468182, with eight significant digits.

deposited, in addition to other data that the Central Bank may request. By submitting a request for a transaction, the intermediary authorises the Central Bank to debit the intermediary's current account with the Central Bank. Settlement of the transactions will take place in cash.

5. Transaction requests shall be received by the Central Bank no later than at the end of the day on 1 November 2016.
6. For all transaction requests that they submit to the Central Bank, intermediaries shall acquire and collect information on the beneficial owner and the origins of the funds on which each transaction request is based, in accordance with Chapters II and III of the Act on Measures to Prevent Money Laundering and Terrorist Financing, no. 64/2006, and shall ensure that the beneficial owner is not subject to international sanctions in accordance with the Act on Implementation of International Sanctions, no. 93/2008. The intermediary shall deliver to the Central Bank, without delay, copies of relevant documents that verify the identity of the customer, together with other documents for the due diligence analysis, if requested. In submitting transaction requests, the intermediary agrees, both on its own behalf and on behalf of its customers, that the Central Bank may provide, to the Financial Supervisory Authority, the tax authorities, the prosecuting authorities, and/or the police, information on the beneficial owner of the funds if a demand is made to this effect, irrespective of whether such a demand is directed at transactions in general according to these Terms or at individual transactions.
7. Requests for transactions that do not satisfy the requirements of Act no. 37/2016, other pertinent legislation (the Act on Measures to Prevent Money Laundering and Terrorist Financing, the Foreign Exchange Act, and the Act on Implementation of International Sanctions), or these Terms shall not be accepted.
8. The Central Bank reserves the right to take up to ten (10) business days for settlement in connection with transaction requests. Upon settlement, the Central Bank debits the intermediary's account according to Item 4 in krónur and deposits euros to the account specified by the intermediary. The intermediary settles with its customers as soon as possible in accordance with the above-mentioned settlement, and the settlement of currencies is entirely the responsibility of the intermediary.
9. The Central Bank declares itself free of all liability for transaction requests that do not reach the Central Bank due to system error or for any other reason.
10. If an intermediary does not honour a transaction request, the Central Bank reserves the right to demand full performance and charge the highest legally permitted penalty interest for the period corresponding to the delay in payment, all without further notice, and without liability vis-à-vis the intermediary's customers.
11. These Terms apply between the Central Bank and intermediaries for the transactions. The Central Bank receives krónur from intermediaries and delivers euros in their stead. The Central Bank bears no responsibility vis-à-vis owners of króna assets and assumes no responsibility for intermediaries' fulfilment of transactions vis-à-vis their customers.
12. These Terms have been translated into English. In the event of any discrepancy between the texts, the Icelandic version shall apply.

Reykjavík,

on behalf of [intermediary]
