

Act on the Central Bank of Iceland

No. 36, 22 May 2001

Entered into force 23 May 2001. Amended by Act no. 129/2004 (entered into force 31 December 2005), Act no. 5/2009 (entered into force 27 February 2009), Act no. 87/2009 (entered into force 20 August 2009), Act no. 98/2009 (entered into force 1 October 2009, with the exception of Articles 69 and 70, which entered into force 1 January 2010), Act no. 84/2011 (entered into force 30 June 2011, with the exception of Articles 1 and 14 (c), which entered into force 1 September 2012), Act no. 126/2011 (entered into force 30 September 2011), Act no. 127/2011 (entered into force 30 September 2011), Act no. 92/2013 (entered into force 18 July 2013), and Act no. 122/2014 (entered into force 31 December 2014).

If mention is made in this Act of a Minister or Ministry without further specification, this shall be understood to mean the Minister of Finance and Economic Affairs or the Ministry of Finance and Economic Affairs, under whose auspices this Act is administered. Information on the functions of the ministries, pursuant to presidential decree, can be found here.

CHAPTER I.

Status, objectives, and tasks.

Article 1

The Central Bank of Iceland is an independent institution owned by the State. Its administration is subject to the provisions of this Act.
All obligations of the Central Bank are guaranteed by the National Treasury.

Article 2

The domicile and legal venue of the Central Bank of Iceland are in Reykjavík.

Article 3

The principal objective of the Central Bank of Iceland is to promote price stability. With the approval of the [Minister]¹⁾, the Central Bank may declare a quantitative target for inflation.

The Central Bank shall promote the implementation of the Government's economic policy as long as it does not consider this inconsistent with its main objective as described in Paragraph 1 above.

¹⁾ Act no. 98/2009, Article 46.

Article 4

[The Central Bank of Iceland shall promote financial stability.]¹⁾

The Central Bank of Iceland shall undertake such tasks as are consistent with its role as a central bank, such as maintaining foreign exchange reserves and promoting a sound and efficient financial system, including domestic and cross-border payment systems.

¹⁾ Act 92/2013, Article 1.

Chapter II. Issuance of banknotes and coin.

Article 5

The Central Bank of Iceland has the sole right to issue banknotes and to mint and issue coin or other currency that could circulate in place of banknotes or lawful coin.

The banknotes and coin issued by the Central Bank shall be legal tender for all payments at full nominal value.

Commemorative coins issued by the Central Bank shall be legal tender for all payments at full nominal value. The Central Bank is authorised to decide that commemorative coins shall be sold at a premium on their nominal value. Profits on the sale of commemorative coins shall be used to support artistic, cultural, or scientific endeavour as determined by the [Minister].¹⁾

Upon receiving proposals from the Central Bank, the [Minister]¹⁾ shall determine the form, appearance, and denominations of the banknotes and coin issued by the Central Bank and shall have an advertisement thereof published.

¹⁾ Act no. 98/2009, Article 46.

Chapter III. Domestic transactions.

Article 6

The Central Bank of Iceland shall accept deposits from deposit institutions, including commercial banks, savings banks, branches of foreign deposit institutions, and other institutions and companies authorised by law to accept deposits from the public for safekeeping and earning of interest. The Central Bank may also accept deposits from other credit institutions and securities companies.

The Central Bank shall set detailed rules¹⁾ on its activities according to this Article, including which credit institutions other than deposit institutions shall be allowed to own deposits in the Central Bank.

¹⁾ Rules no. 540/2007.

Article 7

The Central Bank of Iceland may grant credit to credit institutions authorised to conduct deposit transactions with the Bank, cf. Article 6, through the purchase of securities or in another manner against collateral deemed valid by the Bank. These credit transactions may be in domestic or foreign currency. The Central Bank shall set detailed rules¹⁾ on its transactions pursuant to this Paragraph.

Under exceptional circumstances, and when the Central Bank deems it necessary in order to maintain confidence in the domestic financial system, the Bank may issue guarantees to credit institutions in liquidity difficulties or grant them loans other than those described in Paragraph 1 on special terms and against collateral other than that stipulated in Paragraph 1, or subject to other conditions set by the Bank.

¹⁾ Rules no. 553/2009.

Article 8

In order to achieve its objectives pursuant to Article 3, the Central Bank of Iceland shall buy and sell Government-guaranteed securities and other sound domestic securities on a securities market or through direct transactions with credit institutions.

Article 9

The Central Bank of Iceland is authorised to issue transferable securities in domestic or foreign currency for sale to credit institutions authorised to own deposits in the Bank, cf. Article 6.

Article 10

The Central Bank of Iceland shall determine the rate of interest on deposits with the Bank, on loans that it grants, and on securities that it issues.

Article 11

The Central Bank of Iceland may decide that credit institutions shall be obliged to maintain funds in reserve accounts with the Bank. It is also authorised to decide that a specific portion of the increase in each institution's deposits or disposable funds shall be placed in a reserve account with the Bank, provided that the total amount the institution concerned is obliged to hold in the Central Bank does not exceed the maximum specified in the first sentence of this Paragraph. Furthermore, the Bank is authorised to decide that unit trusts must maintain funds in reserve accounts with the Bank.

The Central Bank shall set detailed rules¹⁾ on the basis and implementation of reserve requirements pursuant to this Article, including to which credit institutions they apply. The rules may prescribe varying reserve requirements depending upon the nature of the credit institutions and unit trusts and the classes of deposits and other obligations subject to reserve requirements. Non-discrimination shall be observed in

the determination of reserve requirements, so as to avoid distorting the relative competitive positions of domestic undertakings subject to reserve requirements.

¹⁾ Rules no. 373/2008.

Article 12

The Central Bank of Iceland is authorised to set rules¹⁾ on credit institutions' minimum or average liquid assets, [in Icelandic krónur and foreign currencies],²⁾ which must be at their disposal at all times in order to meet foreseeable and conceivable payment obligations during a specified period; cf. Article 4. These rules may prescribe different provisions for different classes of credit institutions.

The Central Bank of Iceland is authorised to set rules³⁾ on financial institutions' minimum stable funding in Icelandic krónur and foreign currencies; cf. Article 4. These rules may prescribe different provisions for different classes of credit institutions.²⁾

¹⁾ Rules no. 1031/2014. ²⁾ Act no. 92/2013, Article 2. ³⁾ Rules no. 1032/2014.

Article 13

The Central Bank of Iceland is authorised to set rules¹⁾ on credit institutions' foreign exchange balance. [The Central Bank defines which assets and liabilities shall be considered part of the foreign exchange balance, as well as their breakdown and their weight. It is permissible to include obligations and claims linked to off-balance sheet items denominated in foreign currencies, such as forward contracts and options, in such balances. The rules on foreign exchange balance may prescribe different provisions for different classes of credit institutions.²⁾

¹⁾ Rules no. 950/2010, cf. Rules no. 1171/2012 and Rules no. 1138/2013. ²⁾ Act no. 92/2013, Article 3.

Article 14

The Central Bank of Iceland shall undertake all types of banking service for the Treasury apart from the granting of credit, cf. Article 16. Unless special conditions warrant otherwise, Treasury deposits shall be held in accounts with the Central Bank. The Central Bank shall advise the Government on all matters pertaining to foreign currency, including foreign borrowing, and undertake the administration of such matters pursuant to an agreement thereupon.

Article 15

The Government shall provide the Central Bank of Iceland with information on general economic developments and on public sector finances, Treasury borrowing, and Treasury payment schedules, as necessary for the Bank's activities.

Article 16

The Central Bank of Iceland may not grant credit to the National Treasury, municipalities, or Government institutions other than credit institutions.

Securities that are listed on an official securities exchange and issued by parties specified in Paragraph 1 and are purchased by the Central Bank on a securities market or from credit institutions in order to achieve its monetary policy objectives shall not be considered credit pursuant to this Article.

Article 17

The Central Bank of Iceland conducts other banking and securities transactions that are consistent with its role as a central bank. To this end, the Central Bank may, for instance, participate in and own holdings in companies and institutions in the fields of securities exchange activities, securities registration, and payment systems.

The Central Bank may not undertake transactions with individuals or companies that, according to law, custom, or the nature of the case are considered the function of others. It is authorised, however, to handle the primary sale and redemption of securities issued by the Treasury.

Chapter IV.

Exchange rate issues, foreign exchange market, and foreign transactions.

Article 18

The Central Bank of Iceland trades in foreign currency, acts as an intermediary in foreign exchange transactions, and conducts other foreign transactions consistent with its purpose and role.

Upon receiving the approval of the [Minister]¹⁾, the Central Bank sets the policy that shall apply to the determination of the value of the Icelandic króna against foreign currencies.

The Central Bank shall set rules²⁾ on the operation of organised foreign exchange markets in accordance with the provisions of the Foreign Exchange Act. In exceptional circumstances, the Central Bank may temporarily restrict or suspend trading on regulated foreign exchange markets.

¹⁾ Act no. 98/2009, Article 46. ²⁾ Rules no. 187/2002. Rules no. 1098/2008.

Article 19

On each day when regulated foreign exchange markets are generally open, the Central Bank of Iceland shall quote the exchange rate of the Icelandic króna against major foreign currencies. This rate shall be used as the reference rate for official agreements, court cases, and other contracts between parties when another reference exchange rate is not specified. Furthermore, the Central Bank may decide to quote the exchange rate of the króna on days when regulated foreign exchange markets are generally not open. In exceptional circumstances, the Central Bank may temporarily suspend quotation of the exchange rate of the króna.

Article 20

The Central Bank of Iceland shall maintain foreign exchange reserves in accordance with its objectives and role. The [Governor]¹⁾ sets rules of procedure on the maintenance of the foreign exchange reserves, to be endorsed by the Supervisory Board, cf. Article 28.

The Central Bank is authorised to borrow funds in order to expand the foreign exchange reserves. It is also authorised to participate in co-operative efforts among central banks and international banking or financial institutions for the purpose of expanding participants' foreign exchange reserves.

¹⁾ Act no. 5/2009, Article 1.

Article 21

The Central Bank of Iceland shall communicate and conduct transactions with international institutions in its field on behalf of the Government or in accordance with its statutory role.

The Central Bank shall be responsible for financial relations with the International Monetary Fund on behalf of the Government. The [Minister]¹⁾ shall appoint one person and one alternate for a five-year term to the Board of Governors of the International Monetary Fund.

The Central Bank is also authorised to be a member of other international institutions, provided that such membership is consistent with its role as a central bank.

¹⁾ Act 98/2009, Article 46.

Chapter V. Organisation.

Article 22

The direction of the Central Bank of Iceland rests with the [Minister]¹⁾ and the Supervisory Board, as is set forth in this Act. [Decisions on the application of the Central Bank's monetary policy instruments shall be taken by the Monetary Policy Committee; cf. Article 24. In other respects, the Bank's direction shall be in the hands of the Governor.]²⁾

¹⁾ Act no. 126/2011, Article 321. ²⁾ Act no. 5/2009, Article 2.

Article 23

[[The Minister shall appoint the Governor and Deputy Governor for a term of five years. The Governor and Deputy Governor shall have completed a university degree in economics or a related subject and possess extensive experience and expertise in financial activities and in economic and monetary affairs. The same person may only

be appointed Governor or Deputy Governor twice. The Governor of the Central Bank shall be responsible for the Bank's operations and shall be authorised to take decisions on all matters not entrusted to others by this Act. The Deputy Governor shall substitute for the Governor in the latter's absence.

When appointments are made to the positions of Governor and Deputy Governor, the [Minister]¹⁾ shall appoint a committee of three to evaluate the qualifications of the applicants. One committee member shall be appointed following nomination by the Standing Committee of Rectors of Icelandic Higher Educational Institutions, one following nomination by the Supervisory Board of the Central Bank of Iceland, and one member without nomination to chair the committee.

Should the Governor or Deputy Governor be temporarily unable to perform his/her duties, the [Minister]¹⁾ may appoint a temporary replacement.

The Governor shall set rules on employees' and the Deputy Governor's authorisations to oblige the Bank with their signatures; the rules shall be subject to endorsement by the Supervisory Board, cf. Article 28.]²⁾

¹⁾ Act no. 98/2009, Article 46. ²⁾ Act no. 5/2009, Article 3.

Article 24

[Decisions on the application of the Central Bank's monetary policy instruments shall be taken by the Monetary Policy Committee. In this context, the Bank's monetary policy instruments include decisions on interest rates; transactions with credit institutions other than those listed in Article 7, Paragraph 2; determination of reserve requirements as provided for in Article 11; and foreign exchange market transactions as provided for in Article 18, which are intended to influence the exchange rate of the króna. Decisions by the Monetary Policy Committee must be based on the Bank's objectives and a thorough assessment of the current situation of and outlook for the economy and monetary issues and financial stability.

Members of the Monetary Policy Committee are the Governor, the Deputy Governor, a senior Bank official in the field of monetary policy, and two external experts in the field of economic and monetary policy, appointed by the [Minister]¹⁾ for a term of five years. The Governor of the Central Bank shall also chair the Monetary Policy Committee. The Monetary Policy Committee shall have a quorum if four of its five members attend a Committee meeting. Decisions by the Monetary Policy Committee shall be taken by a simple majority of votes; in the case of a tie, the Chairman or his/her substitute shall cast the deciding vote. The Monetary Policy Committee shall meet at least eight times each year. In addition, the Monetary Policy Committee may meet if its Chairman or three members of the Committee so request. The Monetary Policy Committee shall adopt rules of procedure, subject to the endorsement of the Supervisory Board, concerning the preparation of, rationale for, and presentation of its monetary policy decisions. Minutes of Monetary Policy Committee meetings shall be made public and an account given of the Committee's decisions and the premises

upon which they are based. If the Monetary Policy Committee deems that serious indications exist of threats to the financial system, it shall issue public warnings as necessary. The Monetary Policy Committee may decide not to give account of decisions on foreign exchange market transactions according to Article 18, however.

The Monetary Policy Committee shall report to Parliament on its work twice each year. [The contents of the report shall be discussed in the Parliamentary committee of the Speaker's choosing.]²⁾³⁾

¹⁾ Act no. 98/2009, Article 46. ²⁾ Act no. 84/2011, Article 42. ³⁾ Act no. 5/2009, Article 4.

Article 25

[The Governor and Deputy Governor of the Central Bank may not sit on the Board of Directors of an institution or commercial enterprise outside the Bank, nor otherwise participate in commercial operations except as required by law or in the case of an institution or commercial enterprise in which the Bank is involved. Should a dispute arise concerning the application of this provision, the [Minister]¹⁾ shall decide the issue.

The Governor of the Central Bank of Iceland shall set rules, subject to the endorsement of the Supervisory Board, concerning the participation of other Central Bank employees in the Boards of institutions and commercial enterprises, cf. Article 28.

The members of the Monetary Policy Committee appointed by the [Minister]¹⁾ may not undertake work outside the Bank that could cast doubt on their impartiality. Should a dispute arise concerning the application of this provision, the [Minister]¹⁾ shall decide the issue. [The Minister]¹⁾ may, in a Regulation, set more detailed provisions on the qualifications of Monetary Policy Committee members.]²⁾

¹⁾ Act no. 98/2009, Article 46. ²⁾ Act no. 5/2009, Article 5.

Article 26

The Supervisory Board of the Central Bank of Iceland shall be elected following Parliamentary elections. The Supervisory Board shall comprise seven members elected by Parliament by proportional ballot and an equal number of alternates. The management or employees of credit institutions or other financial institutions that conduct transactions with the Central Bank may not be elected to the Supervisory Board. The mandate of the Supervisory Board shall expire once a new Board is elected. If a principal member of the Supervisory Board vacates his/her position, an alternate shall assume this seat until Parliament has elected a new principal member for the remainder of the term of the Supervisory Board.

The Supervisory Board shall elect a Chairman and Vice Chairman from its own ranks. The Minister shall determine the remuneration paid to the Supervisory Board by the Central Bank.

Article 27

The Chairman of the Supervisory Board of the Central Bank of Iceland shall convene meetings of the Board. Meetings must always be called, however, if two members of the Board so request. Meetings of the Supervisory Board shall have a quorum if attended by a majority of members. Decisions shall be taken by majority vote. In case of a tie, the Chairman shall cast the deciding vote. Minutes shall be kept of the meetings of the Supervisory Board.

[The Governor of the Central Bank shall attend meetings of the Supervisory Board with the right to speak and make motions. The Governor shall recuse him- or herself, however, if the Supervisory Board so decides.]¹⁾

¹⁾ Act no. 5/2009, Article 6.

Article 28

The Supervisory Board shall ensure that the activities of the Central Bank of Iceland are consistent with the laws governing its activities. [The Governor]¹⁾ shall inform the Supervisory Board of the main aspects of the Bank's policy and of the rules it sets. Apart from this, the Supervisory Board shall perform the following tasks in particular:

- a. Endorse the [Governor's]¹⁾ proposals on principal aspects of the Bank's organisation.
- b. [Determine the salaries and other terms of employment of the Deputy Governor and members of the Monetary Policy Committee, including their entitlement to severance pay and pensions. The Senior Civil Servants' Salary Board shall determine the Governor's salary and terms of employment other than entitlement to severance pay and pension and other aspects of his/her financial interests determined by the Supervisory Board.]²⁾
- c. Oversee the Bank's internal auditing and appoint the Chief Auditor.
- d. Endorse the rules of procedure set by the [Monetary Policy Committee]¹⁾ on the preparation of, rationale for, and presentation of monetary policy decisions, cf. Article 24.
- [e. Monitor the implementation of the rules of procedure and the working practices of the Monetary Policy Committee.
- f. Endorse the selection of executives for the Monetary Policy Committee, upon receiving the Governor's proposal.]¹⁾
- [g.]¹⁾ Endorse the rules set by the Governor on the authority of Bank employees and the Deputy Governor to obligate the Bank, cf. Article 23.]¹⁾
- [h.]¹⁾ Endorse wage agreements with Bank employees, consider rules on their pension fund, and endorse the appointment of the

Bank's representative on the board of the pension fund when called for.

[i.]¹⁾ Endorse the Central Bank's proposal to the [Minister]³⁾ on the rules for the Bank's accounting and annual accounts, cf. Article 32.

[j.]¹⁾ Provide the [Minister]³⁾ with an opinion on a regulation on the implementation of individual aspects of this Act when called for, cf. Article 39.

[k.]¹⁾ Endorse the Bank's annual accounts, cf. Article 32.

[l. Endorse the Bank's decision on capital adequacy criteria and disposition of profit; cf. Article 34.]⁴⁾

[m.]⁴⁾ Endorse the Bank's operating budget as presented by the [Governor]¹⁾ at the beginning of each operating year.

[n.]⁴⁾ Monitor the Bank's assets and operations and endorse decisions on major investments.

[o.]⁴⁾ Endorse the rules set by the [Governor]¹⁾ on per diem fines, cf. Article 37.

[p.]⁴⁾ Endorse the rules set by the [Governor]¹⁾ on Bank employees' participation in the boards of institutions or businesses outside the Bank, cf. Article 25.

[q.]⁴⁾ Endorse the rules set by the [Governor]¹⁾ on the maintenance of the foreign exchange reserves, cf. Article 20.

¹⁾ Act no. 5/2009, Article 7. ²⁾ Act no. 87/2009, Article 6 ³⁾ Act no. 98/2009, 46. Article ⁴⁾ Act no. 122/2014, Article 1.

Chapter VI.

Gathering of information, research, and reporting.

Article 29

In order to perform its function according to Articles 3 and 4 [and carry out satisfactory monitoring of rules set pursuant to this Act],¹⁾ the Central Bank of Iceland may collect information directly from parties conducting transactions with the Bank on the basis of Article 6, cf. Article 7, as well as undertakings operating payment systems and other companies or parties subject to official supervision, cf. the Act on Official Supervision of Financial Activities. [It is required to provide the Central Bank with all information and data the Bank considers necessary; failure to do so shall be liable to penalties as provided for in Article 37. Statutory provisions on confidentiality shall not limit the obligation to provide information and access to data.]¹⁾

All parties are obliged to provide the Central Bank with the information it requires to compile statistical reports; failure to do so shall be liable to penalties as provided for in Article 37.

¹⁾ Act no. 92/2013, Article 4.

Article 30

The Central Bank of Iceland shall prepare reports and forecasts on monetary issues, the balance of payments, exchange rate and foreign exchange issues, and other matters pertaining to its functions and policies. At least quarterly, the Central Bank shall publish reports on its monetary policy; on monetary, exchange rate, and foreign exchange developments; and on its measures in these areas. Furthermore, the Central Bank shall issue an annual report providing a detailed account of its activities.

Article 31

The Central Bank of Iceland shall carry out economic research relating to its tasks concerning monetary policy and the financial system. The Bank is also authorised to encourage research by others in these areas.

Chapter VII.

Accounting and disposition of profit.

Article 32

The fiscal year of the Central Bank of Iceland shall be the calendar year. Annual accounts shall be prepared for each fiscal year and completed within three months of the end of each fiscal year. [The annual accounts shall be prepared in accordance with the Annual Accounts Act, the Accounting Act, and rules set on the basis of these Acts, insofar as is applicable.]¹⁾

[Callable equity, cf. Article 34, Paragraph 3, that is not paid in shall be shown in the equity accounts. The portion that is not paid in shall also be deducted.

In preparing Central Bank accounts, it is permissible to keep separate accounts in the equity accounts for unredeemed revenues and expenses.]¹⁾

The [Minister]²⁾ shall set detailed rules³⁾ on the accounting principles and annual financial statements, after receiving proposals from the Central Bank, cf. Article 28.

¹⁾ Act no. 122/2014, Article 2. ²⁾ Act no. 98/2009, Article 46. ³⁾ Rules no. 1088/2005, cf. Rules no. 428/2013.

Article 33

Internal audit of the Central Bank of Iceland shall be the responsibility of the Chief Auditor, cf. Article 28. In addition, the Icelandic National Audit Office shall audit the Central Bank.

Once auditing is completed, the annual accounts shall be signed by the [Governor]¹⁾ and endorsed by the Supervisory Board, cf. Article 28. If a member of the

Supervisory Board has any comments on the annual accounts, he/she shall sign with a reservation and specify the nature of this reservation.

The audited accounts shall be submitted to the [Minister]²⁾ for ratification no later than three months after the end of the fiscal year.

The Central Bank's annual accounts shall be published in its annual report, cf. Article 30. The Bank shall also publish a monthly balance sheet summary.

¹⁾ Act no. 5/2009, Article 8. ²⁾ Act no. 98/2009, Article 46.

Article 34

[The Central Bank of Iceland shall have the financial strength needed to enable it to carry out its legally mandated role. To this end, each year the Bank shall determine its own capital adequacy criteria. The capital adequacy criteria reflect the Bank's need for capital and interest-bearing assets and shall take account of its operating expenses and the risks and uncertainties facing it at any given time. The decision on capital adequacy criteria as confirmed by the Supervisory Board shall be published in the Bank's Annual Report, cf. Article 30.

The Bank's profit from the prior fiscal year, adjusted for unredeemed calculated revenues and expenses, cf. Article 32, Paragraph 3, shall revert to the Treasury to the extent that it is not used to strengthen the Bank's capital position. The payment shall be made no later than 30 April each year. If the Bank decides to use part or all of its profit to strengthen its capital position, this shall be done to meet the capital adequacy criteria according to Paragraph 1, and upon receiving an opinion from the Minister. The Bank shall then notify the Minister of its assessment of the capital adequacy criteria and the disposition of its profit for the next three years.

The Treasury pledges, based on the authority contained in the National Budget, to contribute capital to the Central Bank in the form of marketable assets according to the Bank's call-ins in this respect, provided that the Bank considers this necessary in order to fulfil its minimum requirements for paid-in capital. The total amount of callable equity in accordance with this Paragraph is 52 billion krónur. The outstanding balance of callable equity shall be written up at year year-end to accord with the increase in the consumer price index. The National Budget shall be based on the consumer price index as of 1 January of the year in which the budget proposal is introduced. The Minister, on behalf of the Treasury, and the Central Bank of Iceland are authorised to conclude an agreement between them on the further implementation of this provision.¹⁾

¹⁾ Act no. 122/2014, Article 3.

Chapter VIII.

Miscellaneous provisions.

Article 35

Members of the Supervisory Board, [the Governor, the Deputy Governor, members of the Monetary Policy Committee]¹⁾ and other employees of the Central Bank of Iceland are obliged to observe confidentiality concerning the affairs the Bank or its customers, as well as other matters of which they may become aware in the course of their work and which should remain secret in accordance with law or the nature of the case, unless a judge rules that information must be disclosed in court or to law enforcement officers, or there is a legal obligation to provide the information. The obligation to observe confidentiality shall remain in effect after employment ceases.

Members of the Supervisory Board, [the Governor, the Deputy Governor, members of the Monetary Policy Committee]¹⁾ and other employees of the Central Bank are prohibited to use confidential information that they acquire through their employment with the Bank for pecuniary gain or to avoid financial loss in business transactions.

Notwithstanding the provisions of Paragraph 1, the Central Bank may engage in reciprocal exchange of information with public authorities abroad on matters covered by this Act, provided that the party requesting the information is subject to a corresponding obligation to observe confidentiality.

The Central Bank of Iceland shall provide the Financial Supervisory Authority with all information held by the Bank which may be utilised for the Financial Supervisory Authority's activities. Information disclosed under the provisions of this Article is subject to the obligation to observe confidentiality in accordance with this Act and the Act on Official Supervision of Financial Activities. The Central Bank and the Financial Supervisory Authority shall conclude a co-operation agreement providing, among other things, for relations between the institutions in greater detail.

¹⁾ Act no. 5/2009, Article 9.

Article 36

The Central Bank of Iceland shall be exempt from [income tax]¹⁾ in accordance with the currently applicable [Income Tax]¹⁾ Act.

Any type of obligation issued by the Bank and in its name, as well as obligations conferring pledge rights, coupons on the Bank's bonds, and transfers thereof, shall be exempt from stamp duty.

¹⁾ Act no. 129/2004, Article 140.

Article 37

Violations of this Act shall be liable to fines or imprisonment unless more severe penalties are stipulated under other legislation. Attempted violations of this Act or

participation in such violations shall be liable to punishment as prescribed by the Penal Code.

[The Central Bank of Iceland may impose sanctions on credit institutions and unit trusts in the form of per diem fines determined according to rules¹⁾ set by the Governor and endorsed by the Supervisory Board, cf. Article 28, if they do not comply with the Bank's rules on required reserves, liquidity, and foreign exchange balance.]²⁾

The Central Bank is authorised to impose per diem sanctions upon parties that fail to provide the Bank with information to which it is entitled pursuant to this Act, or deliberately provide the Bank with incorrect information. [The Governor]³⁾ shall set rules¹⁾ on these penalties which shall be endorsed by the Supervisory Board; [cf. Article 28.]²⁾

[If proceedings are initiated to demand invalidation of a decision according to Paragraphs 2 and 3 within 14 days of the date the party concerned was notified of it, and the party concerned requests expedited case handling, it is prohibited to collect per diem fines before a judgment has been rendered. Notwithstanding the initiation of proceedings to invalidate a decision, per diem fines shall continue to accrue against the party concerned.

Uncollected per diem fines shall not be cancelled even though parties later accede to the demands of the Central Bank, unless the Governor so decides.

Per diem fines determined pursuant to this Article may be collected by execution, without prior court judgment. Three-quarters ($\frac{3}{4}$) of the sanctions collected in accordance with this Article shall accrue to the National Treasury and shall be paid by 1 June of each year for the preceding year.]²⁾

¹⁾ Rules no. 389/2002. ²⁾ Act no. 92/2013, Article 5. ³⁾ Act no. 5/2009, Article 10.

Article 38

The Central Bank of Iceland is authorised to set rules¹⁾ on the tasks entrusted to it according to this Act, as deemed necessary. The Central Bank shall publish the rules it sets pursuant to this Act so that they are accessible to the general public.

¹⁾ Rules no. 831/2002, cf. Rules no. 118/2012. Rules no. 540/2007. Rules no. 553/2009. Rules no. 703/2009, cf. Rules no. 366/2010. Rules no. 704/2009, cf. Rules no. 367/2010. Rules no. 805/2009. Rules no. 31/2011.

Chapter IX.

Entry into force, etc.

Article 39

After receiving the opinion of the Supervisory Board, the [Minister]¹⁾ may issue a Regulation²⁾ setting forth details on the implementation of individual provisions of this Act.

¹⁾ Act no. 98/2009, Article 46. ²⁾ Regulation no. 470/1986, cf. 136/1989, 111/1995 and 640/1999 (on the Central Bank of Iceland).

Article 40

This Act shall enter into force at once. ...

Temporary Provisions

I.

Upon the entry into force of this Act, Parliament shall elect seven members to the Supervisory Board of the Central Bank of Iceland and an equal number of alternates. As of that same time, the mandates of those persons currently sitting on the Supervisory Board shall be cancelled.

II.

Governors of the Central Bank of Iceland upon entry into force of this Act shall retain their positions until the end of their respective terms of appointment. The provisions of Article 23, Paragraph 2 on the appointment of Governors shall apply from the first appointment of Governor after the entry into force of this Act. Upon the entry into force of this Act, the Prime Minister shall appoint the Chairman of the Board of Governors from the Governors for the remainder of his/her term as Governor.

[III.]

Notwithstanding the provisions of Article 17, Paragraph 2, the Central Bank shall be authorised ...¹⁾ to conduct transactions with individuals and firms, provided that the Bank considers the transactions necessary for the removal of the restrictions that have been imposed on capital movements and foreign exchange transactions.]²⁾

¹⁾ Act no. 92/2013, Article 6. ²⁾ Act no. 127/2011, Article 9.