## 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 Dec. 2005), Act No. 5/2009 (entered into force 27 Feb. 2009), Act No. 87/2009 (entered into force 20 Aug. 2009) and Act No. 98/2009 (entered into force 1 Oct. 2009 with the exception of Articles 69 and 70, which enters into force 1 Jan. 2010).

## CHAPTER I Status, objective and tasks

## Article 1

The Central Bank is an independent, state-owned institution. 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 shall be in Reykjavík.

## Article 3

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

The Central Bank shall promote the implementation of the government's economic policy, provided this is not, in the estimation of the Bank, inconsistent with its main objective as referred to in the first paragraph.

<sup>1)</sup>Act No. 98/2009, Art. 46.

## **Article 4**

The Central Bank of Iceland shall undertake tasks consistent with its role as central bank, such as maintaining currency reserves and promoting an efficient and sound financial system, including domestic and external payment systems.

# CHAPTER II Issue of notes and coins Article 5

The Central Bank of Iceland has sole right to issue bank notes, to have coins minted and issued, or to issue other currency which could circulate in place of bank notes or lawful coins.

Bank notes and coins 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 may decide to sell commemorative coins with a premium on their nominal value. Profit on the sale of commemorative coins shall be used to support artistic, cultural or scientific endeavour as determined by the [Minister].<sup>1)</sup>

Upon receiving proposals from the Central Bank, [the Minister]<sup>1)</sup> shall determine the form, appearance and denominations of notes and coins issued by the Bank and have an advertisement thereof published.

<sup>1)</sup>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 as may be authorised by law to accept deposits from the public for safekeeping and earning of interest. The Bank may also accept deposits from other credit institutions and securities companies.

The Central Bank shall adopt detailed rules<sup>1)</sup> on its transactions as provided for in this Article, including which credit institutions other than deposit institutions may have deposits with the Bank.

<sup>1)</sup>Rules 540/2007.

## Article 7

The Central Bank of Iceland may grant to credit institutions, which can conduct deposit transactions with the Bank, cf. Article 6, loans through the purchase of securities or by other means against collateral deemed acceptable by the Bank. These credit transactions may be in domestic or foreign currency. The Bank shall adopt detailed rules<sup>1)</sup> on its transactions as provided for in this paragraph.

Under exceptional circumstances, and when deemed necessary by the Central Bank in order to maintain confidence in the country's financial system, the Bank may grant guarantees to credit institutions in liquidity difficulties, or provide credit other than that referred to in the first paragraph on special terms and against other collateral than referred to in the first paragraph or under other conditions set by the Bank.

<sup>1)</sup>Rules 553/2009.

## Article 8

To achieve its objectives as provided for in Article 3, the Central Bank of Iceland shall buy and sell government-backed securities and other secure domestic instruments on a securities market or through direct transactions with credit institutions.

## Article 9

The Central Bank of Iceland may issue transferable securities in domestic or foreign currencies for sale to credit institutions which may conduct deposit transactions with the Bank, cf. Article 6.

## Article 10

The Central Bank of Iceland shall determine the interest paid on deposits with the Bank, on credit which it provides and on securities which it issues.

#### Article 11

The Central Bank of Iceland may decide that credit institutions must maintain funds in reserve accounts with the Bank. It may also decide that a specific portion of the increase in deposits or disposable funds of each institution shall be placed in a reserve account with the Bank, provided the total amount which the institution concerned must hold in the Central Bank does not exceed the maximum provided for in the first sentence of this paragraph. The Central Bank of Iceland may furthermore decide that unit trusts must maintain funds in reserve accounts with the Bank.

The Central Bank shall adopt detailed rules<sup>1)</sup> on the basis and implementation of reserve requirements as provided for in this Article, including to which credit institutions they apply. The rules may prescribe varying reserve requirements depending upon the nature of credit institutions and unit trusts and classes of deposits and other obligations covered by reserve requirements. Discrimination shall be avoided in determination of reserve requirements, in order to avoid distortion of the relative competitive positions of domestic undertakings subject to reserve requirements.

<sup>1)</sup>Rules 373/2008.

## Article 12

The Central Bank of Iceland may adopt rules on minimum or average liquid assets of credit institutions which must be available to them at all times in order to meet foreseeable or conceivable payment obligations during a specific period, cf. Article 4. These may prescribe varying provisions for individual classes of credit institutions.

## Article 13

The Central Bank of Iceland may lay down rules on the foreign balance of credit institutions. Such balances shall include, in addition to foreign-denominated assets and liabilities, obligations and claims linked to off-balance sheet foreign-denominated items, such as forward contracts and options.

1)Rules 707/2009.

### Article 14

The Central Bank of Iceland shall undertake any type 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 issues pertaining to foreign currency, including foreign borrowing, and undertake the administration of such affairs pursuant to an agreement thereto.

## Article 15

The government shall provide the Central Bank of Iceland with information on general economic developments and state finances, Treasury borrowing and 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 listed on an official securities exchange and issued by those parties referred to in the first paragraph, purchased by the Central Bank on a securities market or directly from credit institutions in order to achieve its monetary policy objectives, shall not be regarded as credit as provided for in this Article.

#### Article 17

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

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

## **CHAPTER IV**

## Exchange rate issues, the foreign exchange market and foreign transactions Article 18

The Central Bank of Iceland trades in foreign currency, serves as intermediary in currency transactions and carries out other foreign transactions consistent with the Bank's objectives and role.

Upon receiving the approval of the [Minister],<sup>1)</sup> the Central Bank decides on the policy by which the value of the Icelandic *króna* against foreign currencies is determined.

The Central Bank shall adopt rules<sup>2)</sup> on the activities of regulated foreign exchange markets, as provided for in the Act on Foreign Exchange. In exceptional circumstances the Central Bank may temporarily limit or suspend trading on regulated foreign exchange markets.

<sup>1)</sup>Act No 98/2009, Article 46. <sup>2)</sup>Rules 187/2002. Rules 1098/2008.

## Article 19

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

## Article 20

The Central Bank of Iceland shall maintain foreign currency reserves consistent with its objectives and role. [The Governor of the Central Bank]<sup>1)</sup> shall set rules on maintenance of foreign currency reserves to be approved by the Supervisory Board, cf. Article 28.

The Central Bank may borrow for the purpose of strengthening its foreign exchange reserves. It may also participate in co-operative efforts by foreign central banks and international banking or financial institutions concerning loans to reinforce participants' currency reserves.

<sup>1)</sup>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 as entrusted to it by law.

The Central Bank shall be responsible for financial relations with the International Monetary Fund on behalf of the state. [The Minister]<sup>1)</sup> 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 may, furthermore, be a member of other international institutions, provided that this is consistent with its role as central bank.

<sup>1)</sup>Act No 98/2009, Article 46.

## CHAPTER V Organisation Article 22

The direction of the Central Bank of Iceland rests with the [Minister of Economic Affairs]<sup>1)</sup> and the Supervisory Board, as prescribed in this Act. [Decisions on applying the Central Bank's monetary policy control mechanisms 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.]<sup>2)</sup>

<sup>1)</sup>Act No 98/2009, Article 46. <sup>2)</sup>Act No 5/2009, Article 2.

### Article 23

[[The Minister]<sup>1)</sup> shall appoint the Governor and Deputy Governor of the Central Bank for a five-year term. The Governor and Deputy Governor must 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 shall be responsible for the Bank's operations and shall be authorised to take decisions in all questions not entrusted to others by this Act. The Deputy Governor shall substitute for the Governor in the latter's absence.

When appointment is made to the positions of Governor and Deputy Governor, the [Minister]<sup>1)</sup> shall appoint a committee of three to evaluate the qualifications of 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 unable to perform his/her duties temporarily, the [Minister]<sup>1)</sup> may appoint a temporary replacement.

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

<sup>1)</sup>Act No 98/2009, Article 46. <sup>2)</sup>Act No 5/2009, Article 3.

## **Article 24**

[Decisions on applying the Central Bank's monetary policy control mechanisms shall be taken by the Monetary Policy Committee. In this context, the Bank's monetary policy control mechanisms include decisions on interest rates, transactions with credit institutions other than those listed in the second paragraph of Art. 7, a decision on reserve requirements as provided for in Art. 11, and foreign exchange market transactions, as provided for in Art. 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.

The Monetary Policy Committee shall be comprised of the Governor of the Central Bank, the Deputy Governor, one of the Bank's executives responsible for formulating monetary policy and two experts in the field of economic and monetary policy appointed by the [Minister]<sup>1)</sup> for a five-year term. The Governor shall also chair its 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 concerning its work, subject to the endorsement of the Bank's Supervisory Board, on the preparation of, rationale for, and presentation of its

monetary policy decisions. Minutes of meetings of the Monetary Policy Committee shall be made public, and an account given of the Committee's decisions and 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, however, decide not to account for decisions on foreign exchange market transactions, as provided for in Article 18.

The Monetary Policy Committee shall report to the Althingi on its work twice each year. The contents of the report shall be discussed at a joint meeting of the Economy and Taxation Committee, the Budget Committee and the Trade Committee.]<sup>2)</sup>

<sup>1)</sup>Act No 98/2009, Article 46. <sup>2)</sup>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]<sup>1)</sup> shall decide the issue.

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

The members of the Monetary Policy Committee appointed by the [Minister]<sup>1)</sup> may not undertake work outside the Bank which could give rise to doubt as to their impartiality. Should a dispute arise concerning the application of this provision, the [Minister]<sup>1)</sup> shall decide the issue. [The Minster]<sup>1)</sup> may, in a Regulation, set more detailed provisions on the qualifications of members of the Monetary Policy Committee.]<sup>2)</sup>

<sup>1)</sup>Act No 98/2009, Article 46. <sup>2)</sup>Act No 5/2009, Article 5.

## Article 26

The Supervisory Board of the Central Bank of Iceland shall be elected following elections to the *Althingi*. The Supervisory Board shall consist of seven members elected by *Althingi* and an equal number of alternates. The management or employees of credit institutions or other financial institutions which do business with the Central Bank may not be elected to the Supervisory Board. The mandate of the Supervisory Board shall expire once a new Board has been elected. If a member of the board vacates his/her position, an alternate shall assume this seat until *Althingi* has elected a new 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 compensation 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. Questions shall be decided by a majority vote. In the case of a tie, the Chairman shall cast the deciding vote. Minutes shall be kept of meetings of the Supervisory Board.

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

<sup>1)</sup>Act No 5/2009, Article 6.

## Article 28

The Supervisory Board shall ensure that the Central Bank of Iceland operates in accordance with the laws governing its activities. [The Governor of the Central Bank]<sup>1)</sup> shall furthermore report to the Supervisory Board on the main aspects of the Bank's policy and rules which it adopts. Apart from this, the Supervisory Board shall perform the following tasks in particular:

- a. endorse proposals of the [Governor]<sup>1)</sup> 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 rights to severance pay and pensions. The Wage Council shall determine the Governor's salary and terms of employment other than severance pay and pension and other aspects of his/her financial interests determined by the Supervisory Board;]<sup>2)</sup>
- c. supervise the Bank's internal auditing and appoint its Chief Auditor;
- d. endorse rules adopted by the [Monetary Policy Committee]<sup>1)</sup> on the preparation of, rationale for and presentation of its monetary policy decisions, cf. Article 24;
- [e. Supervise the implementation of rules concerning the work and working practices of the Monetary Policy Committee;
- f. Approve the selection of executives for the Monetary Policy Committee, upon receiving the proposal of the Governor; 11)
- [g.]<sup>1)</sup> [approve the rules set by the Governor of the Central Bank on the authorisations of the Bank's employees and the Deputy Governor to oblige the Bank, cf. Article 23;]<sup>1)</sup>
- [h.]<sup>1)</sup> endorse wage contracts of Bank employees, consider rules on their pension fund and confirm the appointment of the Bank's representative to the board of the pension fund when called for;
- [i.]<sup>1)</sup> endorse the proposal of the Central Bank to the [Minister]<sup>1)</sup> on rules for the Bank's accounting and annual financial statements, cf. Article 32;
- [j.]<sup>1)</sup> provide the [Minister]<sup>3)</sup> with an opinion on a regulation implementing individual aspects of this Act when called for, cf. Article 39;
- [k.]<sup>1)</sup> endorse the Bank's annual financial statements, cf. Article 32;

- [l.]<sup>1)</sup> endorse the Bank's operating budget as presented by the [Governor]<sup>1)</sup> at the beginning of each operating year;
- [m.]<sup>1)</sup>monitor the Bank's assets and operations and endorse decisions on major investments;
- [n.]<sup>1)</sup> endorse rules set by the [Governor]<sup>1)</sup> on per diem fines, cf. Article 37;
- [o.]<sup>1)</sup> endorse rules set by the [Governor]<sup>1)</sup> on participation by Bank employees on the boards of institutions and companies outside the Bank, cf. Article 25;
- [p.]<sup>1)</sup> endorse rules set by the [Governor]<sup>1)</sup> on maintenance of the foreign currency reserves, cf. Article 20.
- <sup>1)</sup><u>Act No 5/2009, Article 7.</u> <sup>2)</sup><u>Act No 87/2009, Article 6.</u> <sup>3)</sup><u>Act No 98/2009, Ar</u>ticle 46.

## **CHAPTER VI**

## Gathering of information, research and reporting Article 29

In order to perform its function as described in Articles 3 and 4 above, the Central Bank of Iceland can directly collect information from parties concluding transactions with the Bank, cf. Article 6, cf. Article 7, as well as companies with payment systems and other companies or parties whose activities are subject to official supervision, cf. the Act on Official Supervision of Financial Activities.

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.

## Article 30

The Central Bank of Iceland shall prepare reports and forecasts on monetary issues, the balance of payments, exchange rate and foreign currency issues and other matters concerning the role and policy of the Bank. The Central Bank shall publish reports, at least quarterly, on its monetary policy and developments in monetary, exchange rate and foreign currency issues and its actions 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 related to its functions in monetary policy and the financial system. Furthermore, the Bank may 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 financial statements shall be prepared for each fiscal year and completed within three months of the end of each fiscal year. Preparation of annual financial statements shall comply with laws, rules and good account practice.

[The Minister]<sup>1)</sup> shall set detailed rules<sup>2)</sup> on the accounting principles and annual financial statements, after receiving proposals from the Central Bank, cf. Article 28.

1) Act No 98/2009, Article 46. 2) Rules 1088/2005.

## Article 33

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

Upon completion of their auditing, the Bank's annual financial statements shall be signed by the [Governor]<sup>1)</sup> and endorsed by the Supervisory Board, cf. Article 28. Should a member of the Supervisory Board have comments on the annual financial statements, he/she shall sign with a reservation and specify the nature of this reservation.

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

The Central Bank's annual financial statements shall be published in its annual report, cf. Article 30. In addition, the Bank shall publish a monthly balance sheet.

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

A contribution shall be made to the National Treasury, no later than June 1 each year, equal to two-thirds of the profit of the Central Bank of Iceland during the preceding fiscal year

Article 34

Notwithstanding the provision of the first paragraph, the Central Bank shall pay only one-third of its profit to the National Treasury if the Bank's equity at year-end was less than 2.25% of the amount of lending and domestic securities assets of the credit system at the end of the preceding fiscal year.

# CHAPTER VIII Miscellaneous provisions Article 35

Members of the Supervisory Board, [the Governor, Deputy Governor, members of the Monetary Policy Committee]<sup>1)</sup> and other employees of the Central Bank of Iceland are subject to obligations of confidentiality on all matters concerning the affairs of their customers or of the Bank itself, as well as other matters of which they may become aware in the course of their duties and which shall remain secret in accordance with law or the nature of the issue, unless a judge rules that information must be disclosed to a court or law enforcement officers, or there is a legal obligation to provide the information. The obligation of confidentiality remains after employment ceases.

Members of the Supervisory Board, [the Governor, Deputy Governor, members of the Monetary Policy Committee]<sup>1)</sup> and other employees of the Central Bank are not allowed to take advantage of confidential information, which they acquire in the course of their work in the Bank, for pecuniary gain or to avoid financial loss in business transactions.

Notwithstanding the provisions of the first paragraph, the Central Bank may exchange information with public authorities abroad on matters covered by this Act, provided that the party requesting information is subject to corresponding obligations of confidentiality.

The Central Bank of Iceland shall provide the Financial Supervisory Authority with all information held by the Bank which may be of use for the latter's activities. Information disclosed under the provisions of this Article shall be subject to obligations of confidentiality in accordance with this Act and the Act on Official Supervision of Financial Activities. The Central Bank and Financial Supervisory Authority shall conclude an agreement on co-operation providing, for instance, for relations between the institutions in more detail.

<sup>1)</sup>Act No 5/2009, Article 9.

#### Article 36

The Central Bank of Iceland shall be exempt from [income tax]<sup>1)</sup> as provided for in the currently applicable Act on [Income Tax]<sup>1)</sup>.

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.

<sup>1)</sup>Act No 129/2004, Article 140.

## Article 37

Violations of this Act shall be liable to fines or imprisonment, unless more severe penalties are provided for violations under other legislation. An attempt to commit or participation in a violation of this Act is liable to punishment as prescribed by the Penal Code.

The Central Bank of Iceland may levy per diem fines on credit institutions and unit trusts, subject to rules<sup>1)</sup> laid down by the [Governor]<sup>2)</sup> and approved by the Supervisory Board, cf. Article 28, should they fail to abide by the Bank's rules on required reserves, liquid funds and foreign balance. Per diem fines determined pursuant to this Article may be enforced by execution. Rules on penalties shall be presented to the Financial Supervisory Authority and those institutions to which they apply. A decision to apply per diem fines may be appealed to the Minister. Three-quarters of the penalties collected pursuant to this Article shall accrue to the National Treasury and shall be paid by 1 June each year for the preceding year.

The Central Bank may impose penalties in the form of per diem fines on those parties who fail to disclose information to the Bank to which it is entitled pursuant to this Act, or deliberately provide the Bank with incorrect information. [The Governor]<sup>2)</sup> shall set rules<sup>1)</sup> on these penalties which shall be endorsed by the Supervisory Board.

<sup>1)</sup>Rules 389/2002. <sup>2)</sup>Act No 5/2009, Article 10.

## Article 38

The Central Bank of Iceland may adopt rules<sup>1)</sup> on the tasks entrusted to it by this Act as deemed necessary. The Central Bank shall publish the rules it adopts pursuant to this Act so that they are accessible to the general public.

<sup>1)</sup>Rules 540/2007. Rules 553/2009. Rules 703/2009. Rules 704/2009. Rules 805/2009.

# CHAPTER IX Entry into force, etc. Article 39

[The Minister]<sup>1)</sup> may, after receiving the opinion of the Supervisory Board, issue a Regulation with details of the implementation of individual provisions of this Act.

1) Act No 98/2009, Article 46. 2) Reg. 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, *Althingi* 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 mandate of those persons currently sitting on the Supervisory Board shall be cancelled.

## II.

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