

ACT

on Official Supervision of Financial Activities

Came into effect on 1 January 1999. Amended with: 1) Act no. 99/1999 (came into effect on 30 Dec 1999). 1) Act no. 11/2000 (came into effect on 28 April 2000). Act no. 37/2002 (came into effect on 07 May 2002). 1) Act no. 50/2003 (came into effect on 07 April 2003). 1) Act no. 67/2006 (came into effect on 24 June 2006). Act no. 55/2007 (came into effect on 03 April 2007). 1) Act no. 57/2007 (came into effect on 03 April 2007). Act no. 111/2007 (came into effect on 1 Nov 2007; EEA Agreement: Annex IX. Directive 2004/39/EC Act no. 88/2008 (came into effect on 1 January 2009 except for Transitional Provision VII which came into effect on 21 June 2008). Act no. 125/2008 (came into effect on 7 Oct. 2008). Act no. 5/2009 (came into effect on 27 Feb 2009). Act no. 20/2009 (came into effect on 27 March 2009). Act no. 87/2009 (came into effect on 20 August 2009). Act no. 98/2009 (came into effect on 1 Oct. 2009, except for Articles 69 and 70, which entered into force on 1 January 2010). Act no. 82/2011 (came into effect on 1 Sept 2011, except for the Transitional Provision which entered into force on 30 June 2011). Act no. 126/2011 (came into effect on 30 Sept 2011). Act no. 17/2013 (came into effect on 1 April 2013; EEA Agreement: Annex IX. Directive 2009/110/EC Act no. 47/2013 (came into effect on 11 April 2013). Act no. 47/2015 (came into effect on 1 January 2016, except for the Transitional Provision and Articles 22 and 23 which entered into force on 15 July 2015). Act no. 130/2016 (came into effect on 1 July 2017). Act no. 23/2017 (came into effect on 23 May 2017). Act no. 24/2017 (came into effect on 23 May 2017; EEA Agreement: Annex IX to Regulations 1092/2010, 1093/2010, 1094/2010, 1095/2010, 1022/2013). Act no. 90/2018 (came into effect on 15 July 2018; EEA Agreement: Annex XI of Regulation 2016/679). Act no. 141/2018 (came into effect on 1 January 2019). Act no. 71/2019 (came into effect on 5 July 2019). Act no. 91/2019 (came into effect on 1 January 2020, except for Article 133, which entered into force on 16 July 2019). Act no. 41/2020 (came into effect on 28 May 2020). Act no. 45/2020 (came into effect on 4 June 2020; EEA Agreement: Annex IX of Directive 2011/61 / EU 2013/14/EC Act no. 116/2021 (came into effect on 1 Sept 2021; for legal transposition 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 (came into effect on 1 July 2022, except for Article 76, point a of Article 82., point d of Article 177, point d of Article 206 and Article 65, which will come into effect according to instructions in Article 215 of the EEA Agreement: Appendix IX, Regulation no. 575/2013, 2015/62, 2016/1014, 2017/2188, 2017/2395, 2019/630, 2019/876, 2020/873).

Any mention in this Act of a Minister or Ministry, which does not specify the name or area of competence of the ministry refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the areas of competence of ministries, as provided for by a Presidential Ruling, is available here.

CHAPTER I

Objective and scope

Article 1

Objective and definitions

[The purpose of this Act is to ensure supervised entities operate in compliance with laws and regulations and that the activities are in accordance with sound and proper business practices and take into account consumer protection.

The objective of supervising financial activities is to promote a sound and secure financial market and to reduce the likelihood that the activities of supervised entities will result in losses for the general public. However, healthy and sound operations are always the responsibility of the management of the company in question.]¹⁾

For the purpose of this Act, “financial activities” shall mean all types of activities by companies, institutions and other parties referred to in Article 2.

For the purpose of this Act, the term “supervised entities” shall mean parties subject to supervision by the Financial Supervisory Authority as provided for in Article 2.

1) Act no. 91/2019, Art. 1.

Article 2

Regulated activities

Supervision as provided for in this Act shall cover the activities of the following parties:

1. commercial banks and savings banks,
2. [Credit undertakings]¹⁾
- [3. electronic money institutions, as referred to in the Act on the Issuance and Handling of Electronic Money, and payment institutions, as referred to in the Act on Payment Services],^{2) 3)}
- [4.]³⁾ insurance companies,
- [5.]³⁾ companies and individuals acting as insurance intermediaries,
- [6.]³⁾ Securities undertakings,¹⁾
- [7.]³⁾ UCITS and investment funds [specialized funds for retail investors],⁴⁾ mutual fund management companies and alternative investment fund managers],⁵⁾
- [8.]³⁾ [stock exchanges, regulated securities markets and multilateral trading facilities (MTF)],⁶⁾
- [9.]³⁾ central securities depositories,
- [10.]³⁾ pension funds,
- [11.]³⁾...⁷⁾

The Act shall also cover supervision of activities other than those listed in the first paragraph for which supervision has been entrusted to the Financial Supervisory Authority under special legislation.

[The Act furthermore covers supervision and other tasks relating to natural and legal persons which are entrusted to the Financial Supervisory Authority under the provisions of special legislation.]⁷⁾

Supervision of the activities of domestic parties abroad and foreign parties in Iceland is subject to the provisions of special laws and the international agreements to which Iceland is a party.

The Financial Supervisory Authority shall rule on cases where there is doubt as to whether activities are covered by this Article.⁸⁾

1) Act no. 38/2022, Article 149. 2) Act no. 17/2013, Article 47. 3) Act no. 37/2002, Article 19. 4) Act no. 116/2021, Article 137. 5) Act no. 45/2020, Article 120. 6) Act no. 111/2007, Article 13. 7) Act no. 41/2020, Article 4. 8) Act no. 67/2006, Article 1. 9) Act no. 91/2019, Article 2.

CHAPTER II

Administration

Article 3

The Financial Supervisory Authority

The Financial Supervisory Authority, which is part of the Central Bank of Iceland, is responsible for the implementation of this Act.]¹⁾

1) Act no. 91/2019 Article 3.

Articles 4-6 ...¹⁾

1) Act no. 91/2019 Article 4.

Article 7

Consultative committee of supervised entities.

A special consultative committee composed of representatives from supervised entities shall operate in conjunction with [the Financial Supervisory Authority].¹⁾

[The Central Bank of Iceland shall]¹⁾ hold regular meetings with the Consultative Committee. The consultative committee is not empowered to make decisions in affairs of the Financial Supervisory Authority.

Further details concerning the Consultative Committee shall be laid down in a regulation,²⁾ including i.a. its appointment.

1) Act no. 91/2019, Article 5. 2) Reg. 562/2001, cf. 32/2009 and 17/2021.

CHAPTER III

Activities

Article 8

Supervision

[The Financial Supervisory Authority shall monitor the compliance of the activities of supervised entities with laws, regulations, rules or resolutions governing such activities, and their consistency in other respects with sound and proper business practices.

The Financial Supervisory Authority is authorised to issue and publish general guidelines on the activities of supervised entities, provided that their substance concerns a group of supervised entities.

[The provisions of this Act apply, as appropriate, to supervision by the Financial Supervisory Authority, its investigations and gathering of information in accordance with provisions of special legislation. The Financial Supervisory Authority is authorised to exercise the supervisory recourses of this Act in its regulatory and other work relating to natural and legal persons which it is entrusted with on the basis of special legislation and other rules. In other respects, the provisions of special legislation shall apply concerning the extent of the Financial Supervisory Authority's powers.]^{1) 2)}

[If a party, other than a financial undertaking, that is subject to official supervision experiences unusual financial and/or operational difficulties and the Financial Supervisory Authority considers it necessary to take special measures so as to limit damage or the risk of damage in the financial markets, the provisions of Article 100(a) of the Act on Financial Undertakings shall apply to the authority of the Financial Supervisory Authority to intervene in its operations.]³⁾

1) Act no. 67/2013, Art. 2. 2) Act no. 11/2000, Art. 2. 3) Act no. 125/2008, Art. 7.

Article 9

Inspection and access

[The Financial Supervisory Authority shall inspect the operations of supervised entities as often as deemed necessary. These entities are required to grant the Financial Supervisory Authority access to all their accounts, minutes, documents and other material in their possession regarding their activities which the Financial Supervisory Authority considers necessary. In pursuit of its activities, the Financial Supervisory Authority may perform on-site checks or request information in the manner and as often as it considers necessary.

The Financial Supervisory Authority may appoint an expert to investigate certain aspects of the activities or operations of a supervised entity, or to undertake other specific supervision of such an entity. The expert shall be appointed for a specified period of no longer than four weeks at a time. The expert shall be provided with working facilities on the premises of the supervised entity and given access to all requested accounts, minutes, documents and other material kept by the supervised entity. The expert shall be entitled to attend meetings of the Board of the supervised entity as an observer with the right to speak. The expert's obligation of confidentiality shall be as provided for in Chapter IV of this Act.

In connection with its supervision and investigations under the provisions of special legislation, natural and legal persons are required to supply the Financial Supervisory Authority with any

information and material the Authority considers necessary [and, The Financial Supervisory Authority can call individuals in for questioning in these instances].¹ In this context it is of no relevance whether the information concerns the party to which the request is directed or transactions with other parties on which the party is able to supply information which concerns the investigation and supervision of the Financial Supervisory Authority. 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.

The Financial Supervisory Authority is permitted to carry out special investigations and seize any material in accordance with provisions of the Code of [Criminal Procedure],¹⁾ provided that there are strong grounds for suspecting that the supervised entity has violated laws or regulations applicable to its activities, or if there is reason to believe that investigations or actions of the Financial Supervisory Authority will not otherwise achieve their objective. Provisions of the Code of [Criminal Procedure]¹⁾ shall be applied in the execution of such measures.²⁾

The Financial Supervisory Authority shall, in its supervisory work, in particular in emergency cases, take into consideration the possible impact of the Authority's decisions and actions on financial stability in Iceland. The Financial Supervisory Authority shall also bear in mind that its decisions and actions can have an impact in other states and the Financial Supervisory Authority may communicate with regulators of other states in such cases.³⁾

1) Act no. 38/20221) 2) Act no. 88/2008, Art. 234. 3) Act no. 67/2006, Art. 3. 4) Act no. 47/2013, Art. 15.

[Article 9 (a).

Transparency in the work of the Financial Supervisory Authority

The Financial Supervisory Authority may make public the results of cases and investigations relating to the provisions of this Act, unless such publication is considered to jeopardise the interests of the financial market, does not affect its interests as such or causes damage to the parties involved which is disproportionate to the offence in question. The Financial Supervisory Authority shall publish its policy on such publication.¹⁾

1) Act no. 20/2009, Article 1.

Article 10

Comments and corrective action.

[Should it be revealed that a supervised entity does not comply with the law or other rules governing their activities, the Financial Supervisory Authority shall require corrective action within a reasonable time limit.

The Financial Supervisory Authority shall comment on any aspect of the financial position of a supervised party, or its operations in other respects, which it considers unsound and inconsistent with normal business practices, even when the provisions of the first paragraph do not apply and may also require corrective action within a reasonable time limit.

In the circumstances described in the first or second paragraphs, the Financial Supervisory Authority may call a meeting of the board of directors or executive board of the supervised entity to discuss its comments and requirements and means of taking corrective action. A representative of the Financial Supervisory Authority may chair the meeting and have the right to speak and submit proposals.]¹⁾

[If any member of the board of directors or any executive of a supervised entity does not meet the qualifications required in the special legislation applicable to the business activities of the supervised party, the Financial Supervisory Authority may require the party in question to resign, temporarily or permanently. If the requirements of the Financial Supervisory Authority are not met within a reasonable time limit, the Financial Supervisory Authority may unilaterally dismiss the party in question from his

or her post. Any such measure taken by the Financial Supervisory Authority shall not preclude the exercise of any other of its powers.]²⁾

1) Act no. 11/2000, Art. 4 2) Act no. 67/2006, Art. 4.

[Article 11

Fines and periodic penalty payments.

[The Financial Supervisory Authority may impose periodic penalty payments on a supervised entity if it fails to provide requested information or to heed requests for corrective action within a reasonable time limit. This provision applies equally to supervised parties and to natural and legal persons falling within the scope of the legislation, the implementation of which is entrusted to the Financial Supervisory Authority. The same applies to parties that are able to provide information in the interests of investigations pursuant to the provisions of this Act and special legislation. The periodic penalty payments shall be collected until the requirements of the Financial Supervisory Authority have been met. Periodic penalty payments can range between ISK 10,000-1,000,000 and may be determined as a proportion of certain indicators in the operations of a supervised party. 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. ...]¹⁾

If legal proceedings are initiated for the overturning of a decision pursuant to the first paragraph within 14 days from the time that the party in question was notified of the decision, and if the party also requests fast-tracking of the case, periodic penalty payments shall not be collected until judgement has passed in the case. Notwithstanding any legal proceedings for the overturning of a decision pursuant to the first paragraph, periodic penalty payments will continue to be imposed on the party in question.

Uncollected fines shall not be cancelled even if a party later complies with the Financial Supervisory Authority's requirements, unless specifically decided by the Board of the Authority.¹⁾

The Financial Supervisory Authority may impose a fine on a party violating decisions made by the Financial Supervisory Authority. This provision applies equally to supervised parties and to natural and legal persons falling within the scope of legislation, the implementation of which is entrusted to the Financial Supervisory Authority. Decisions pursuant to this Article include requirements of corrective actions pursuant to Article 10. Fines may range from ISK 10,000-2,000,000. The determination of the amount of a fine shall take into account the gravity of the violation and the financial strength of the party in question. Decisions on fines shall be made by [the Financial Supervisory Authority].¹⁾

Decisions on fines and periodic penalty payments pursuant to this article are enforceable by law.

Collected penalties and periodic penalty payments, net of collection cost, shall accrue to the Treasury.

Further provisions on the determination and collection of fines and periodic penalty payments may be laid down in a regulation.^{2) 3) 4)}

1) Act no. 91/2019, Art. 6. 2) Reg. no. 397/2010. 3) Act no. 67/2006, Art. 5. 4) Act no.11/2000, Article 5.

[Article 12

Reporting obligation

[[If a supervised entity or natural and legal persons have, in the opinion of the Financial Supervisory Authority, violated in a criminal manner any laws or rules, the implementation of which is entrusted to the Financial Supervisory Authority, and if the violations are major, the Authority is required to notify the police. Action taken by the Financial Supervisory Authority pursuant to this Article cannot be referred to a court of law.]¹⁾

Requirements, comments and proposed actions by the Financial Supervisory Authority as provided for in the fourth paragraph of Article 9 and Article 11 shall be notified immediately to the board of directors of the party in question or to the party itself in the absence of a board of directors, unless there is reason to believe that the proposed actions will otherwise not achieve their intended objective.]^{2) 3)}

1) Act no. 55/2007, Art. 22. 2) Act no. 67/2006, Art. 6. 3) Act no. 11/2000, Art. 5.

CHAPTER IV

[Confidentiality. Notifications of breaches in the activities of parties whose financial activities are subject to official supervision. Information exchange. Communications with supervisory authorities]¹⁾

1) Act no. 91/2019, Art. 10.

[Article 13]¹⁾

Confidentiality

[Those responsible for the implementation of this Act are bound by a duty of confidentiality in accordance with the Central Bank of Iceland Act.]²⁾

1) Act no. 11/2000, Art. 5. 2) Act no. 91/2019, Art. 7.

[Article 13 (a).

Notifications to the Financial Supervisory Authority of breaches in the activities of entities whose financial activities are subject to official supervision.

The Financial Supervisory Authority shall have procedures in place for receiving and following up on reports of violations, possible violations and attempts to violate laws and government directives that apply to entities whose financial activities are subject to official supervision.

Procedures pursuant to Paragraph 1 shall be separated from other procedures within the Financial Supervisory Authority. Procedures shall ensure that notifications are registered and if the information contained in the notification can be traced directly or indirectly to the person who submitted it, it shall be kept secret, unless such information is required to be provided to the police by law or on the basis of a court ruling. The processing and handling of personal data shall be in accordance with the Act on Data Protection and the Handling of Personal Information.^{1) 2)}

1) Act no. 90/2018, Art. 54. 2) Act no. 23/2017, Art. 3.

[Article 14]¹⁾

Communications with supervisory authorities.

[The Financial Supervisory Authority may provide confidential information to the regulatory authorities of other member states of the EEA Agreement, EFTA institutions and other European supervisory systems in the field of financial activities pursuant to the Act on the European System of Financial Supervision, as provided for in Article 13, if such disclosure is part of co-operation between states in the supervision of activities of supervised entities and such disclosure is useful in permitting the conduct of the supervision prescribed by law. Such information may be provided only on condition that it is covered by the obligation of professional secrecy in the State concerned or by the institution concerned. An obligation of confidentiality [Article 13]²⁾ shall apply to comparable information obtained by the Financial Supervisory Authority from regulatory authorities of other member states, EFTA institutions and other European financial supervisory authorities.]³⁾

[The Central Bank of Iceland may reach agreements]²⁾ with the supervisory authorities of countries outside the European Economic Area on the exchange of information, provided that the obligation of confidentiality is observed in accordance with the provisions of this Article. The provisions of the first paragraph shall apply to the exchange of information with authorities in Iceland or abroad involved in the bankruptcy or winding up proceedings of supervised entities, supervision of parties auditing them or performing actuarial audits. The same shall apply to parties supervising these parties. For the purpose of promoting stability and security in the financial sector, an exchange of information shall also be authorised between regulatory authorities and the government and parties involved in investigating violations of company law.

If the information originates in another member state of the EEA, it may not be disclosed without the explicit consent of the competent authority which provided it, and then only for purposes agreed to by that authority.]⁴⁾

[In connection with investigations of specific cases, the Financial Supervisory Authority is permitted to obtain information and documents from other government authorities, irrespective of their obligation of confidentiality.]⁵⁾

1) Act no. 11/2000, Art. 5. 2) Act no. 91/2019, Art. 8. 3) Act no. 24/2017, Art. 10. 4) Act no. 11/2000, Art. 7. 5) Act no. 67/2006, Art. 8.

[Article 14 (a).

Information exchange

The Financial Supervisory Authority is authorised to disclose to the authorities of other states of the European Economic Area information and data as necessary for the enforcement of legislation on distance selling of financial services in accordance with Iceland's obligations under the European Economic Area Agreement.

The disclosure of information and data shall be subject to the conditions that:

1. confidentiality is observed in compliance with the provisions of this Act,
2. the information and data will only be used for the purposes provided for in the European Economic Area Agreement and in accordance with the request for information;
3. the information and data will only be disclosed to other parties with the consent of the Financial Supervisory Authority and only for the purpose stated in the consent.]¹⁾

1) Act no. 57/2007, Article 4.

[Article 15]^{1) ... 2)}

1) Act no. 11/2000, Article 5. 2) Act no. 91/2019, Article 9.

CHAPTER V.

Miscellaneous provisions.

[Article 16]^{1) ... 2)}

1) Act no. 11/2000, Article 5. 2) Act no. 91/2019, Article 11.

[Article 16 (a)

In accordance with international obligations or conventions, to which Iceland is a party, the Financial Supervisory Authority shall issue notices listing certain natural and legal persons which supervised entities are required to check specifically to determine whether they have established business connections with these parties and are required to prevent any financial transfers, such as the delivery of funds, withdrawals, transfers, asset registration or other dealings, thus preventing the parties listed in notices from the Authority from receiving any payment or being able to make use of funds by other means.

The Financial Supervisory Authority shall ensure, by notifying [the Special Prosecutor]¹⁾, that deposits of natural and legal persons have been seized, if in the course of its supervisory work it has been revealed that a supervised entity has violated the provision of the first paragraph and the seizure of assets has not taken place.]²⁾

1) Act no. 47/2015, Article 30. 2) Act no. 50/2003, Article 1.

[Article 17]¹⁾

Payment of the cost of supervision

[Supervised entities shall pay the cost of supervision by the Financial Supervisory Authority. The payment of costs is subject to the Act on the payment of costs of public supervision of financial activities.]²⁾

1) Act no. 11/2000, Article 5. 2) Act no. 99/1999, Article 9.

[Article 18]1)

[Deadline for initiating proceedings, etc.

A party that is unwilling to accept the decision of the Financial Supervisory Authority may take legal action for annulment of the decision before the courts of law. Such action shall be brought within three months from the time that the party was notified of the Financial Supervisory Authority's decision. Initiation of legal proceedings does not suspend the legal effect of any decision of the Financial Supervisory Authority, nor the authority to take enforcement action pursuant to the decision, subject to the provisions of the second paragraph of Article 11 of the Act.

Decisions of the Financial Supervisory Authority cannot be appealed to the Minister.]²⁾

1) Act no. 11/2000, Article 5. 2) Act no. 67/2006, Article 9.

[Article 19]¹⁾

Regulation

[The Minister may set further rules on the implementation of this Act in a regulation,²⁾ providing, *inter alia*, for the determination and collection of periodic penalty payments.]³⁾

1) Act no. 11/2000, Article 5. 2) Reg. no. 244/2004. Reg. no. 925/2009. Reg. no. 397/2010. 3) Act no. 91/2019, Article 12.

[Article 20]¹⁾

Sanctions

Infringements of this Act shall be punishable by fines or imprisonment for up to one year, if no greater penalties are prescribed for such infringements in other laws.

1) Act no. 11/2000, Article 5.

[Article 21]¹⁾

Entry into force, etc.

This Act shall enter into force on 1 January 1999. ...²⁾

... 2)

1) Act no. 11/2000, Article 5. 2) Act no. 91/2019, Article 13.

Transitional Provision

[Employees of the Financial Supervisory Authority who are actively employed upon the entry into force of these provisions shall become employees of the Central Bank of Iceland with the same terms of employment and trade union membership unaltered if they so choose after the Central Bank takes over the employment agreement. The right of employees to work for the Central Bank is subject to the provisions of Act no. 70/1996 on the Rights and Duties of Civil Servants with subsequent amendments. The provisions of Article 7 of that Act shall not apply to the disposal of jobs under this provision.

Notwithstanding the provisions of the first paragraph, the position of Director General of the Financial Supervisory Authority shall be abolished when this provision enters into force. The Minister may, however, transfer the Director General of the Financial Supervisory Authority to a new position as Deputy Governor of the Financial Supervisory Authority pursuant to Art. 36 of Act no. 70/1996.]¹⁾

2)

1) Act no. 91/2019, Article 14. 2) Act no. 67/2006, Article 10.