

RULES

On the Imposition of Periodic Penalty Payments

The Board of Governors of the Central Bank of Iceland, on receipt of the approval and confirmation of the Supervisory Board, has set the following Rules on the Central Bank of Iceland's Imposition of Period Penalty Payments pursuant to Article 37, paragraphs 2 and 3, of the Central Bank of Iceland Act No. 36/2001.

Article 1

Periodic penalty payments in connection with rules on minimum reserve requirements, liquidity ratio and foreign exchange balance

If a credit institution or undertaking for collective investment in transferable securities (UCITS) does not comply with the following Rules set by the Central Bank of Iceland:

- a) Rules on the principles and practice of reserve requirements, cf. Article 11, paragraph 2 of Act no. 36/2001,
- b) Rules on the minimum or average liquidity of credit institutions, cf. Article 12 of Act no. 36/2001, or
- c) Rules on foreign exchange balance, cf. Article 13 of Act no. 36/2001, the Central Bank may impose periodic penalty payments on the credit institutions or UCITS as specified under Article 2.

Article 2

Calculation and amounts of periodic penalty payments pursuant to Article 1

When the average balance on a required reserve account is lower for the maintenance period than the stipulated amount, periodic penalties shall be calculated corresponding to penalty interest over the period levied on the amount by which the average required reserve balance falls short of the stipulated minimum reserve amount. When the liquidity ratio, as reported monthly, is lower than the stipulated minimum, periodic penalties shall correspond to penalty interest on the amount by which it is short. When the foreign exchange balance, irrespective of whether this is required to be reported on a daily or monthly basis, exceeds the stipulated limits, the periodic penalties shall correspond to penalty interest on the amount by which the foreign exchange balance exceeds the stipulated level.

Periodic penalty payments on account of delays or negligence in submitting reports shall be from 10,000 kr. to 1,000,000 per day, from and including the final day on which the report was to have been submitted and until the day on which the obligation is fulfilled.

Article 3

Periodic penalties in respect of information to which the Bank is entitled by law

Periodic penalties for neglecting to provide the Central Bank with information to which it is entitled under Article 37, paragraph 3 of the Central Bank Act no. 36/2001 shall be from 10,000 kr. to 1,000,000 kr. per day, from and including the final day on which the information was to have been submitted and until the day on which the obligation is fulfilled.

Article 4

Periodic penalties for deliberately incorrect information

Periodic penalties for deliberately providing the Central Bank with incorrect information, cf. Article 37, paragraph 3 of the Central Bank Act no. 36/2001, shall be from

10,000 kr. to 1,000,000 kr. per day, from and including the day on which the deliberately incorrect information was received and until the day on which correct information is received by the Central Bank.

Article 5

Inadequate information

If it transpires during processing of information that its content is inadequate, the Board of Governors of the Central Bank shall direct the undertaking to rectify this without undue delay. In such cases, periodic penalties may be imposed in accordance with Article 1, cf. Articles 2, 3 and 4, if the Board of Governors considers this necessary.

Article 6

Decision of periodic penalties

The Board of Governors of the Central Bank imposes periodic penalties by a special decision. Decisions on the amount of periodic penalties may take into account the nature of the negligence or infringement and the financial strength of the undertaking, such as its total assets.

An undertaking subject to a decision on periodic penalties shall be allowed seven days in which to present an appeal in writing before the Board of Governors of the Central Bank makes a decision pursuant to paragraph 1.

The undertaking shall be notified of a decision on periodic penalties by the Board of Governors of the Central Bank in writing, by verifiable means and without undue delay.

Article 7

Right to appeal

An undertaking ordered to make a periodic penalty payment with a special decision by the Governors of the Central Bank may appeal against this decision to the Prime Minister within three months of being notified of it.

Article 8

Collection of periodic penalty payments

Penalties may be collected seven days after the undertaking was notified of the decision to impose them, cf. Article 6, paragraph 3 of these Rules. Penalties may be collected by enforcement action, cf. Article 37, paragraph 2, sentence 2 of Act no. 36/2001. Periodic penalties may also be debited from the undertaking's current account with the Central Bank of Iceland

Of collected penalties, $\frac{3}{4}$ shall accrue to the Treasury (less collection costs), to be remitted on June 1 each year for the year immediately preceding.

Article 9

Announcement and entry into effect

These Rules, which have been announced to the Financial Supervisory Authority and the institutions covered by them, enter into force on July 1, 2002.

Reykjavík, May 29, 2002
Central Bank of Iceland,

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