

RULES
**on Business Transactions conducted by the Governor, Deputy Governors, External
Committee Members, and Employees of the Central Bank of Iceland with Supervised
Entities**

Article 1

Objectives

The objectives of these Rules are to provide appropriate measures to identify and prevent, or to address, conflicts of interest in connection with Central Bank employees' business transactions with supervised entities.

Article 2

Scope

These Rules apply to all transactions in financial instruments, cf. the Act on Securities Trading, that are conducted by the Governor, Deputy Governors, and other Central Bank employees, as well as external members of the Monetary Policy Committee, Financial Stability Committee, and Financial Supervision Committee, hereinafter referred to collectively as employees, with supervised entities, cf. Article 2 of the Act on Official Supervision of Financial Activities, no. 87/1998, as well as to information disclosure requirements concerning such transactions. The Rules also apply to employees' currency trades, as is further specified herein.

Article 3

Compliance Officer

The Governor shall appoint a Compliance Officer who will oversee compliance with these Rules. The Compliance Officer shall ensure that the Rules are presented to employees in a satisfactory manner. The Compliance Officer shall give account of the implementation of the Rules to the Governor at least once a year.

The Compliance Officer shall maintain a record of employees' transactions according to Article 5, which shall specify the financial instruments traded, the nominal amount and unit price, and the time proposed trades were to have taken place. It shall also specify how the appraisal according to Article 5 was conducted and the results of that appraisal. The Compliance Officer shall maintain a record of the same information on transactions according to Article 6, as applicable.

Article 4

Restrictions on trading in financial instruments

Employees are prohibited from trading, directly or indirectly, in shares, bonds, and related financial instruments issued by supervised entities pursuant to Article 2, Paragraph 1 of the Act on Official Supervision of Financial Activities, no. 87/1998. Employees are permitted, however, to trade in unit shares in funds pursuant to legislation on mutual funds or other funds that accept financial assets from the public for collective investment.

Employees are permitted to sell the aforementioned financial instruments issued by supervised entities that they acquired before coming to work for the Central Bank. The same applies to financial instruments acquired by inheritance or legal separation or divorce.

In general, employees shall own securities that they have purchased for a minimum of three months if the market value does not fall below the original purchase price.

Article 5

Trading in financial instruments

Before trading in financial instruments, employees shall ensure that they do not have access to insider information on the financial instruments, their issuer, or other aspects; cf. the Act on Securities Transactions.

Employees are required to report trades to the Compliance Officer in advance. The Compliance Officer shall provide a reasoned opinion on the proposed trade within three business days or shall notify the employee concerned if it takes longer to provide such an opinion. When the trade has been executed, the employee shall notify the Compliance Officer. The Compliance Officer shall give advance notice of his/her own trades according to this Article to the Governor, who will provide a reasoned opinion on the proposed trade, and shall notify the Governor when the trade has been executed.

Employees are responsible for their own trades even though the Compliance Officer has provided an opinion on them.

Article 6

Currency trading and restrictions on currency trading

These Rules also apply to employees' currency transactions with supervised entities, as applicable, including currency-linked financial instruments. The Rules do not apply, however, to purchases of currency in payment for foreign real estate for their own personal use, for goods or services, for overseas travel, for the sale of currency in connection with the same, or for payment of liabilities in foreign currencies.

Before currency transactions take place, employees must ensure that they do not have access to confidential information that would likely have a significant impact on the currency exchange rate if made public. Employees shall notify the Compliance Officer in advance of currency transactions involving amounts exceeding 3,000,000 kr. In other respects, the provisions of Article 5, Paragraph 2 apply, *mutatis mutandis*, to notification of currency transactions to the Compliance Officer.

Article 7

Employees' information disclosure requirements

Employees shall inform the Compliance Officer in writing of the following:

1. Obligations to supervised entities (including guarantees) for amounts exceeding 10,000,000 kr. for unsecured obligations and 55,000,000 kr. for secured obligations, including the duration of the obligations and their status in other respects.

2. Payment difficulties for all obligations. The term payment difficulties refers to special collections procedures or other difficulties indicating that the obligor is dependent on special concessions from the supervised entity concerned.
3. Investments of savings with supervised entities, valued at a minimum of 10,000,000 kr. Asset management agreements made with supervised entities shall be reported, irrespective of the amounts involved.

The information according to Paragraph 1, Items 1 and 3 shall be reported no later than one week after the transaction or agreement has taken place. Information according to Paragraph 1, Item 2 shall be provided when the employee becomes aware of the situation. Employees shall provide the information according to Paragraph 1 for the first time upon being hired and shall then confirm it annually.

Employees shall also submit to the Compliance officer, in writing, information according to Paragraph 1, Item 1, concerning obligations of their spouse, if secured by real estate that is intended as the family home or used for commercial activities by the spouse or the couple.

The Compliance Officer shall notify the Governor of his/her own transactions according to this Article in a corresponding manner.

Article 8

Communications with supervised entities

Employees are prohibited from accepting services from supervised entities, arranging for the provision of such services to others, or acquiring terms of business from supervised entities if these are not offered to other customers in comparable instances.

Employees are prohibited from accepting gifts or other concessions from supervised entities, apart from those provided to customers in general and/or those that could be deemed appropriate.

Article 9

Statement

Employees shall sign a statement declaring that they have acquainted themselves with the contents of these Rules and with other statutory and regulatory provisions pertaining to the obligation to observe confidentiality in their work.

Article 10

Liability and sanctions

Employees are responsible for compliance with these Rules in their business transactions.

Employees shall not conduct transactions that could justifiably give cause for suspicion as regards the treatment and use of information that they acquire in their work, or that could undermine the credibility of the Central Bank. Employees must also attempt to ensure that transactions conducted by their spouse, cohabiting partner, minor children, and other parties financially related to them do not justifiably cast doubt upon either the employee's impartiality or the credibility of the Central Bank.

Violations of these Rules shall be reported to the Compliance Officer or the Governor. The Compliance Officer shall report violations to the Governor.

Violations of these Rules may be punishable by reprimand or termination of employment.

Article 11

Entry into effect, etc.

These Rules, which are issued on the basis of Article 5, Paragraph 6 of the Act on the Central Bank of Iceland, no. 92/2019, shall take effect on 1 April 2020.

Temporary provision

Within thirty business days from the entry into effect of these Rules, employees according to the Rules shall report their assets, obligations, and other information subject to disclosure requirements to the Compliance Officer.

Prime Minister's Office, 23 March 2020

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