



Financial Supervision Committee

Rules of Procedure

Article 1

General

- 1.1. The Central Bank of Iceland operates pursuant to the Act on the Central Bank of Iceland, no. 92/2019 (hereinafter referred to as *the Central Bank Act* or *the Act*), and its objective is to promote price stability, financial stability, and sound and secure financial activities. The Central Bank of Iceland shall undertake such tasks as are consistent with its role as a central bank, such as maintaining international reserves and promoting a safe, effective financial system, including domestic and cross-border payment intermediation.
- 1.2. The Financial Supervision Committee Rules of Procedure are adopted with reference to Article 16, Paragraph 2 of the Central Bank Act.
- 1.3. These Rules contain provisions on key aspects of the role of the Financial Stability Committee, including the decisions it takes; its meetings; eligibility of Committee members; the preparation, rationale and communication of its decisions; etc.

Article 2

Role, structure, and tasks of the Financial Supervision Committee

- 2.1. The Financial Supervision Committee takes the decisions entrusted to it pursuant to Article 15, Paragraphs 1 and 2 of the Central Bank Act, as is provided for in Article 4 of these Rules of Procedure. The Financial Supervision Committee sets policy on the imposition of administrative sanctions and coercive measures and reviews the policy at least every three years. Furthermore, the Financial Supervision Committee shall provide a statement on the Supervisory Strategy, which is issued every three to four years.
- 2.2. Members of the Financial Supervision Committee are the Governor, the Deputy Governor for Financial Supervision, the Deputy Governor for Financial Stability, and three experts in financial market affairs who shall be appointed by the Minister responsible for the financial markets for a term of three to five years. The Governor shall chair the Financial Supervision Committee, and the Deputy Governor for Financial Supervision shall be Vice-Chair.
- 2.3. The Deputy Governor for Financial Supervision is responsible for case handling and for preparing the work of the Financial Supervision Committee.

Article 3

Meetings of the Financial Supervision Committee

- 3.1. The Financial Supervision Committee is required to meet as often as is deemed necessary and, in general, at least six times a year; cf. Article 16, Paragraph 2 of the Central Bank Act. At the end of each year, the Chair of the Committee shall prepare a calendar of tasks and meetings for the upcoming year.
- 3.2. The Financial Supervision Committee shall meet at the decision of the Chair or upon the request of three Committee members.
- 3.3. Meetings of the Financial Supervision Committee shall be deemed to have a quorum if four of its members are in attendance. Attendance and participation shall be deemed sufficient if Committee members participate via teleconferencing equipment. The Chair of the Committee presides over meetings and presents the meeting agenda.
- 3.4. When decisions are taken pursuant to Article 4 of these Rules of Procedure, a memorandum describing the circumstances of the case, the case handling, and a reasoned proposal for a decision shall be made available, together with relevant documentation.
- 3.5. The Chair of the Committee shall designate a Central Bank of Iceland employee as Financial Supervision Committee secretary.
- 3.6. The secretary of the Financial Supervision Committee prepares the agenda for each meeting, upon prior consultation with the Governor and the Deputy Governor for Financial Supervision, and shall attend Committee meetings and write the minutes. The General Secretariat shall be consulted on the preparation of Committee meetings.
- 3.7 In general, the agenda and other materials necessary for the meeting shall be sent to Committee members or made accessible to them at least five days before the meeting.
- 3.8. Other Bank employees attend meetings when explicitly requested in connection with matters under consideration at the meeting or when the Chair so decides, and the time of their arrival and departure from the meeting shall be noted in the minutes.
- 3.9. Decisions by the Financial Supervision Committee shall be taken by a simple majority of votes; in the case of a tie, the Chair shall cast the deciding vote. Voting shall take place in accordance with the Chair's decision. The Chair shall also call a vote at the request of any Committee member.

3.10. A record of minutes shall be maintained, containing all that transpires at meetings of the Financial Supervision Committee, and shall be signed by those in attendance. The minutes shall be stored in the Central Bank of Iceland documentation system, together with meeting materials. The minutes shall include the following information:

- the date and time (beginning and end) of the meeting;
- the number of the meeting;
- the names of attendees;
- the time of additional attendees' arrival and departure from the meeting;
- the name of the meeting secretary;
- the materials distributed or presented at the meeting;
- a summary;
- the outcome of decisions;
- discussions shall not be recorded unless there is particular reason to do so and attendees request it;
- statements and comments made for the record by individual meeting attendees.

3.11. A draft of the minutes shall be sent to Committee members for review and approval as soon as possible. If members have comments to make on the draft, they shall communicate their views to the meeting secretary. In general, the minutes are finally approved at a meeting of the Committee and signed by Committee members. Valid electronic signatures constitute the equivalent of handwritten signatures.

3.12. The Financial Supervision Committee is authorised to make its decisions public. Decisions shall not be published, however, if such publication can be considered to jeopardise the interests of the financial market, if it does not affect the interests of the market as such, or if there is reason to believe it will cause damage to the parties involved that is disproportionate to the matter in question. Publication of decisions shall be subject to the provisions of Article 16, Paragraph 2, cf. Article 9(a) of the Act on Official Supervision of Financial Activities, no. 87/1998, and policies on publication in the work of the Central Bank of Iceland.

3.13. If the Chair of the Committee deems it necessary due to extraordinary circumstances, they may call a teleconference and present matters for decision and accept votes either via teleconferencing equipment or by e-mail. If a decision cannot be postponed and there is insufficient latitude to call a meeting, it is permissible to request, in a verifiable manner, that Committee members take a position on a proposed decision without a meeting, and in such circumstances, the provisions of Article 3.3 shall apply to quorum requirements. Decisions taken in the aforementioned manner shall be confirmed at the next meeting and entered to the record of minutes.

3.14. The Financial Supervision Committee shall report to Parliament on its work once a year.

Article 4

Decisions of the Financial Supervision Committee

4.1. The Financial Supervision Committee takes decisions on the following matters; cf. Article 15, Paragraph 1 of the Central Bank Act:

- 4.1.1. The adoption of the Financial Supervision Committee's Rules of Procedure, including amendments to them.
- 4.1.2. The revocation of operating licences and registration due to severe or repeated violations.
- 4.1.3. Imposition of administrative fines.
- 4.1.4. Settlement agreements in precedent-setting cases.
- 4.1.5. Referral to the police in cases involving alleged violations of the laws falling under the purview of the Central Bank as financial supervisor.
- 4.1.6. Imposition of *per diem* fines to force remedial action.
- 4.1.7. Imposition of financial sanctions.
- 4.1.8. Dismissal of a Board member or managing director when eligibility requirements are not satisfied because of conduct constituting a violation.
- 4.1.9. Other decisions considered particularly important or deemed to have significant impact.

4.2. The Committee also takes the following major decisions pursuant to the Foreign Exchange Act, no. 70/2021:

- 4.2.1. Imposition of administrative fines.
- 4.2.2. Settlement agreements in precedent-setting cases.
- 4.2.3. Imposition of *per diem* fines to force remedial action.
- 4.2.4. Referral to the police in case of alleged violations of the law.
- 4.2.5. The Financial Supervision Committee may entrust the Deputy Governor for Financial Supervision with its authority to take other decisions according to Chapter V of Act no. 70/2021.

Article 5

Central Bank decisions that shall be sent to the Financial Supervision Committee for presentation

5.1. The Central Bank shall, upon consideration of legally mandated deadlines, give the Financial Supervision Committee the opportunity to comment and give recommendations before decisions are taken in the following cases; cf. Article 15, Paragraph 2 of the Central Bank Act:

- 5.1.1. Decisions on systemically important financial institutions' supervisory review and evaluation process.
- 5.1.2. The grant or refusal of an operating licence for supervised entities.
- 5.1.3. The processing of notifications of supervised entities' qualifying holdings.

5.1.4. Initiation of legal proceedings, appeal, or referral of a judicial ruling to a higher court in matters pertaining to financial supervision.

5.2. The Central Bank informs the Committee of the aforementioned matters, both at the beginning of the administrative case and before a decision is taken, and the Committee is given the opportunity to comment and give recommendations. If deadlines do not allow the matter to await the Committee's next meeting, the Committee shall be sent information and shall be given the opportunity to send written comments or recommendations before a decision is taken.

Article 6

Eligibility of Committee members

- 6.1. Eligibility to serve on the Committee shall be governed by the Act on the Central Bank of Iceland, no. 92/2019, and the Administrative Procedures Act, no. 37/1993.
- 6.2. Committee members shall at all times consider their eligibility to discuss individual matters. Committee members are obliged to report circumstances that could render them ineligible and must do this as soon as such situations arise. If there is any doubt about a Committee member's eligibility, the Financial Supervision Committee shall take a decision on whether to require the recusal of that member.
- 6.3. A Committee member who is ineligible shall not participate in any way in handling the case in question and shall not have access to documents or be present during discussions or decision-making at meetings. The attendee's recusal from the matter shall be entered to the record of minutes.
- 6.4. If no members have drawn attention to their potential ineligibility to take decisions on individual matters to be discussed at a meeting of the Committee, the Chair shall so state at the beginning of the meeting and have the statement recorded in the minutes.
- 6.5. Committee members' business transactions with supervised entities are subject to the provisions of rules on such transactions, currently Rules no. 303/2020 of 23 March 2020.

Article 7

Confidentiality

- 7.1. Committee members, employees, and other guests at Committee meetings are obliged to observe confidentiality concerning the affairs of the Bank's customers; transactions and operations of supervised entities, related parties, or others; and the affairs of the Bank itself; as well as other matters of which they may become aware in the course of their work or that come to light at Committee meetings and should remain secret in accordance with law or the nature of the case, unless a

judge rules that the information must be disclosed in court or to law enforcement officers, or there is a legal obligation to provide the information. The same applies to experts, independent contractors, and others who work for or on behalf of the Financial Supervision Committee. These individuals' obligation to observe confidentiality remains in effect after their work ceases.

- 7.2. Committee members, employees, or other guests at Committee meetings are prohibited from making use of confidential information that they acquire either in their work for the Bank or in Committee meetings, including for the purpose of profiting or avoiding financial loss in business transactions.
- 7.3. Committee members' treatment of insider information and insider transactions are subject to the Rules on Treatment of Inside Information and Insider Transactions, no. 1050/2012, set by the Financial Supervisory Authority on the basis of Article 132 of the Act on Securities Transactions, no. 108/2007; cf. Article 130, Paragraph 2 of the same Act.

Article 8

Signing, amendments, entry into effect, etc.

- 8.1. The decision on the adoption of these Rules of Procedure shall be taken at a meeting of the Financial Supervision Committee and signed by Committee members upon approval.
- 8.2. Decisions on amendments to the Financial Supervision Committee Rules of Procedure shall be taken at a meeting of the Committee. Any Committee member may submit to the Committee a written proposal for an amendment and request that it be added to the agenda of the Financial Supervision Committee's next meeting.
- 8.3. These Rules of Procedure were adopted by the Financial Stability Committee, cf. Article 16, Paragraph 2 of the Central Bank Act, and endorsed by the Supervisory Board of the Central Bank of Iceland at a Supervisory Board meeting on 14 June 2023; cf. Article 8, Paragraph 1, Item (c) of the same Act. These Rules of Procedure shall take effect upon signing by the Financial Supervision Committee on 28 June 2023, and the Financial Supervision Committee Rules of Procedure of 28 February 2022 shall expire at that time.
- 8.4. The Financial Supervision Committee Rules of Procedure shall be published on the website of the Central Bank of Iceland.