

RULES

on appropriate and sound business practices, communications with customers, and handling of complaints

CHAPTER I General

Article 1 *Scope*

These Rules define what business practices are considered appropriate and sound for financial undertakings, payment institutions, electronic money institutions, alternative investment fund managers, UCITS managers, investment firms, insurance undertakings, and insurance brokers. The Rules do not specify exhaustively which business practices are considered appropriate and sound.

For the purposes of these Rules, *business practices* refers to action or lack of action relating to the activities of entities listed in Paragraph 1 and pertaining to the interests of customers, shareholders, guarantee capital owners, or the economy as a whole.

These Rules are set with reservations concerning the boundaries of authority between the Central Bank Financial Supervisory Authority (FSA Iceland or FSA) and the Consumer Agency; cf. the Act on Supervision of Business Practices and Marketing, the Act on Consumer Loans, the Act on Mortgage Lending to Consumers, regulations, rules set on the basis of the above-specified Acts, and the decisions of the Consumer Agency.

Article 2 *Purpose*

The purpose of the Rules is to contribute to appropriate and sound business practices among entities listed in Article 1 and to increase confidence and credibility in the financial market.

Article 3 *Assessment of appropriate and sound business practices*

The FSA's assessment of whether the business practices pursued by an entity listed in Article 1 are appropriate and sound shall be based on whether they comply with the following:

1. The provisions of laws, regulations, and rules applying to the activities, as well as their objectives and purpose.
2. Guidelines issued by the FSA.
3. Recommendations issued by European financial market supervisors; cf. Act no. 24/2017.
4. Announcements and decisions by the FSA, including those published in transparency announcements and circulars.
5. The Articles of Association, policies, internal rules, and benchmarks of the entity listed in Article 1.
6. Codes of conduct and other criteria that apply to the activities.
7. Accepted practice in the financial market.
8. The role and nature of the activities.
9. Considerations other than those listed in Items 1-8, if circumstances warrant it.

Consideration shall also be given to whether the business practices are conducive to increasing confidence in and credibility of entities listed in Article 1.

With reference to the aforementioned criteria, entities listed in Article 1 shall be able to argue conclusively to the FSA that their activities, either overall or in individual cases, are consistent with appropriate and sound business practices.

CHAPTER II
Communications with customers and handling of complaints

Article 4

Communications with customers and provision of information to them

Customers refers to individuals or legal entities that have, or have had, a business relationship with an entity listed in Article 1.

With the establishment of a business relationship, entities listed in Article 1 incur an obligation to observe confidentiality vis-à-vis their customers. Therefore, entities listed in Article 1 shall ensure the following in their communications with customers, so as to enhance trust and transparency:

1. They shall operate honestly and justly and conduct business in a diligent and professional manner, with the interests of their customers and the credibility of the financial market as guiding principles.
2. They shall provide their customers with all necessary information pertaining to the business relationship, both while it is ongoing and after it concludes, in accordance with laws and rules on the storage of such data.
3. They shall provide appropriate information on goods and services, including information on all costs, in a clear and comprehensible manner, both before transactions take place and throughout the business relationship. They shall take into consideration the needs of individual customers; for example, by providing further explanations if necessary.
4. The information on goods and services shall be neither misleading nor deceptive.
5. The advice given shall be based on the customer's interests, including the customer's financial needs, and is provided in a clear and comprehensible manner.
6. Customers shall not be subjected to inappropriate pressure so as to affect their decisions.
7. The risk of conflicts of interests shall be reduced.
8. The policies, procedures, and execution of tasks of entities listed in Article 1 shall not limit or inappropriately prevent access to general financial services.

Article 5

Handling of complaints

Complaint refers to any type of comment made to an entity listed in Article 1; for instance, concerning dissatisfaction with service, case resolution, or the conduct of the business relationship.

Entities listed in Article 1 shall ensure that complaints and other comparable communications are addressed quickly, efficiently, and fairly. This entails the following, among other things:

1. The receipt of the complaint shall be confirmed and information provided about its handling.
2. Complaints shall be responded to in writing, or in a manner comparable to that in which they were received, within four weeks. If it is not possible to respond to the complaint within the above-specified time limit, the party lodging the complaint shall be informed of the delay and the reasons for it, and when a response can be expected.
3. All necessary information and data on the complaint shall be gathered and assessed objectively.
4. Information shall be provided to the customer in a clear and concise manner.
5. The position of the entity listed in Article 1 shall be reasoned in writing if the customer's complaint is not considered in full, and information on legal recourse shall be provided; cf. Article 8.

If an entity listed in Article 1 receives an unclear complaint from a customer and it is not obvious how it should be responded to, the entity shall request further information from the party lodging the complaint.

Article 6

Policy on handling of complaints

Entities listed in Article 1 shall adopt a written complaints policy that is conducive to quick, efficient, and fair handling. The policy shall stipulate, among other things, the entity's procedure for responses to complaints, its targeted response time, and its internal monitoring of compliance with the policy.

Article 7

Information on handling of complaints

Entities listed in Article 1 shall publish information on their complaint handling and complaints policy according to Article 6 in an accessible manner on their website. Furthermore, they shall provide explicit information on how to lodge complaints.

Article 8

Information on legal recourse

Entities listed in Article 1 shall make information accessible on customers' legal recourse if a civil dispute arises between the company and the entity, including appeal to a ruling body according to the Act on Ruling Authorities for Consumer Disputes; cf. Article 19(a), Paragraph 1 of the Act on Financial Undertakings; Article 104 of the Payment Services Act; Article 42, Paragraph 1 of the Act on Issuance and Treatment of Electronic Money; Article 114 of the Act on Alternative Investment Fund Management Companies; Article 132 of the Act on Undertakings for Collective Investment in Transferable Securities (UCITS); and Article 59 of the Act on Markets in Financial Instruments.

Information on legal recourse shall be available both on the website and at the offices of entities listed in Article 1.

Article 9

Documentation of complaints

Entities listed in Article 1 shall store information on complaints and their handling for at least five (5) years from the time the complaint is received. This includes storage of the following information:

1. Substance and type of complaint.
2. Date of complaint.
3. All documents pertaining to the complaint.
4. Date of the entity's conclusion.
5. The entity's conclusion or position on the complaint.

Article 10

Supervision of complaint handling

Entities listed in Article 1 shall ensure that they conduct regular assessments of the handling of complaints in accordance with this Chapter.

Article 11

Reporting to the FSA

By 1 March each year, entities listed in Article 1, except insurance brokers that distribute insurance as a by-product, shall provide information to the FSA on complaints received, including the number of complaints and statistics compiled about them, the handling of complaints, and information on the conduct of internal monitoring of compliance with the policy on handling of complaints.

CHAPTER III
Miscellaneous provisions

Article 12

Supervision

The FSA supervises the activities of entities listed in Article 1 that fall under the provisions of these Rules; cf., however, Article 1, Paragraph 3. The FSA's supervision and actions are governed by the provisions of the Act on Financial Undertakings, the Payment Services Act, the Act on Issuance and Treatment of Electronic Money, the Act on Alternative Investment Fund Management Companies, the Act on Undertakings for Collective Investment in Transferable Securities (UCITS), the Act on Insurance Activities, the Act on Distribution of Insurance, and the Act on Official Supervision of Financial Activities.

In the case of insurance brokerages, the FSA shall, in supervising the provisions of Chapter II of these Rules, take into account the nature and size of the entity's operations and whether insurance brokerage is part of its main commercial activities or additional activities.

Article 13

Entry into effect

These Rules are set based on the authorisation contained in Article 19, Paragraph 2 of the Act on Financial Undertakings, no. 161/2002; Article 19, Paragraph 1 of the Payment Services Act, no. 114/2021; Article 23, Paragraph 1 of the Act on Issuance and Treatment of Electronic Money, no. 17/2013; Article 117, Paragraph 2, Item 2 of the Act on Alternative Investment Fund Management Companies, no. 45/2020; Article 33, Paragraph 5 of the Act on Markets in Financial Instruments, no. 115/2021; Article 10, Paragraph 4 of the Act on Insurance Activities, no. 100/2016; and Article 32, Paragraph 2 of the Act on Distribution of Insurance, no. 62/2019; and shall take effect immediately. At the same time, the Rules on Appropriate and Sound Business Practices of Financial Undertakings, Payment Institutions, Electronic Money Institutions, and Alternative Investment Fund Management Companies, no. 499/2021, and the Rules on Appropriate and Sound business Practices of Insurance Undertakings, no. 673/2017, shall cease to apply.

Temporary provision

Entities listed in Article 1 that are required to provide information to the FSA in accordance with Article 11 of these Rules shall do so for the first time before 1 March 2023.

Central Bank of Iceland, 9 March 2022

Ásgeir Jónsson
Governor

Rannveig Jónúsdóttir
Director

Section B — Date of publication: 25 March 2022