

Agreement between the Financial Supervisory Authority and Central Bank of Iceland on Payment and Settlement Systems

The Financial Supervisory Authority (FME) and the Central Bank, hereafter named the contracting parties, have made the following Cooperation Agreement on oversight and prudential supervision of payment and settlement systems.

This Agreement is made in accordance with Article 15 of Act no. 87/1998 on Official Supervision of Financial Activities and Article 35 of Act no. 36/2001 on the Central Bank of Iceland. The Agreement is intended to expand upon the contracting parties' Cooperation Agreement of 28 March 2003 as regards oversight and prudential supervision of payment and settlement systems.

The Agreement concerns the contracting parties' cooperation on oversight and supervision but does not affect in other respects their obligations according to law or the Agreement.

1. Aim of the Cooperation Agreement

The aim of the Agreement is as follows:

- Promoting efficiency and safety of payment and settlement systems.
- Clear responsibility of each party and the division of tasks between them, and the avoidance of duplication of tasks.
- Preventing any reduction in the responsibility of operators of payment and settlement systems for ensuring that the systems fulfil the demands made towards them.

2. Mandatory roles of contracting parties in connection with payment and settlement systems

According to Article 4 of Act no. 36/2001, *the Central Bank of Iceland* shall undertake such tasks as are consistent with its role as a central bank, such as to promote an efficient and safe financial system, including payment systems domestically and with foreign countries. According to Article 38 of the same Act, The Central Bank of Iceland is authorised to lay down rules on its tasks, including payment and settlement systems. Under Article 3 of Act no. 90/1999 on the Security of Transfer Orders in Payment Systems, the Central Bank of Iceland submits proposals to the Minister of Commerce concerning which systems shall be recognised.

The Financial Supervisory Authority shall, according to Article 8 of Act no. 87/1998, ensure that the activities of parties subject to supervision are in accordance with laws, regulations, rules or by-laws governing such activities, and that they are in other respects consistent with sound and proper business practices.

3. Division of oversight and supervision tasks

The Central Bank performs systemic oversight of the activities of payment and settlement systems with respect to their safety, effectiveness and efficiency.

The FME supervises implementation of rules governing payment and settlement systems by individual participants in them. The FME monitors the risk of each participant, i.e. arrangements for risk management and internal audit to ensure compliance with the rules in effect within the systems.

4. Notification, information exchange and acquisition of information by the contracting parties

The contracting parties agree that access to information is necessary in order for them to be able to perform their duties according to law and this Agreement.

The contracting parties shall inform each other if they become aware of any infringement of the rules that are in effect within the payment and settlement systems.

Where possible, the contracting parties shall coordinate their acquisition of information in connection with oversight and prudential supervision of the payment and settlement systems and the participants in them covered by this Agreement.

The contracting parties will, where possible, exchange information which is significant for oversight and prudential supervision of payment and settlement systems.

Information provided by one contracting party to the other under this Agreement is confidential by law.

5. Other matters

This Agreement shall be reviewed if so requested by either of the contracting parties.

This Agreement enters into force immediately.

Reykjavik, 28 March 2003

Financial Supervisory Authority:

Central Bank of Iceland: