



# Financial Supervision Committee

## Rules of Procedure

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### **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 Supervision Committee, including the transfer of authority for non-major decision-making to the Deputy Governor for Financial Supervision; meetings of the Committee; eligibility of Committee members; the preparation, rationale, and publication of the Committee's decisions; etc.

### **Article 2**

#### **Role, structure, and tasks of the Financial Supervision Committee**

- 2.1. The Financial Supervision Committee operates as part of the Central Bank of Iceland and shall take decisions entrusted to the Financial Supervisory Authority of the Central Bank by law or Governmental directives. The Committee is authorised to entrust the Deputy Governor for Financial Supervision with taking non-major decisions, cf. Article 15, Paragraph 1 of the Central Bank Act, as is provided for in Article 5 of these Rules.
- 2.2. Members of the Financial Supervision Committee are 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 market for a term of five years.
- 2.3. The Deputy Governor for Financial Supervision shall chair the Financial Supervision Committee, and the Deputy Governor for Financial Stability shall be vice-chairperson. In the following instances, the Governor shall take a seat on the Financial Supervision Committee as its chairperson, and the Deputy Governor for Financial Supervision shall be vice-chairperson: when the Committee takes decisions on the adoption of rules of procedure pursuant to Article 16, Paragraph 2 of the

Central Bank Act, when it takes decisions on entrusting the Deputy Governor for Financial Supervision to take non-major decisions, and when it takes decisions on systemically important financial institutions' equity, liquidity, and funding.

- 2.4. The Deputy Governor for Financial Supervision is responsible for case handling and for preparing the decisions of the Financial Supervision Committee.

### **Article 3** **Meetings of the Financial Supervision Committee**

- 3.1. In general, the Financial Supervision Committee shall meet ten times a year; cf. Article 16, Paragraph 2 of the Central Bank Act. At the end of each year, the chairperson of the Committee shall prepare a calendar of tasks and meetings for the upcoming year.
- 3.2. In addition, the Financial Supervision Committee may meet at the decision of the chairperson 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 chairperson of the Committee presides over meetings and presents the meeting agenda.
- 3.4. When decisions are taken in major matters pursuant to Articles 5.1 and 5.2 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 Governor and the Deputy Governor for Financial Supervision shall select a Central Bank of Iceland employee to serve 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 Deputy Governor for Financial Supervision or, in those instances when the Governor chairs the Committee, with the Governor; the secretary shall attend Committee meetings and write the minutes. The General Secretariat shall be consulted *[on these matters]*. In general, the Governor shall be informed in advance of the agenda of meetings s/he does not attend. 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.
- 3.7. Other Bank employees attend meetings when explicitly requested in connection with matters under consideration at the meeting or when the chairperson so decides, and the time of their arrival and departure from the meeting shall be noted in the minutes.
- 3.8. Decisions by the Financial Supervision Committee shall be taken by a simple majority of votes; in the case of a tie, the chairperson shall cast the deciding vote. Voting shall take place in accordance with the chairperson's decision. The chairperson shall also call a vote at the request of any Committee member.
- 3.9. 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 chairperson and 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.
- 3.10. 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 hand-written signatures.
- 3.11. 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 transparency in the work of the Central Bank of Iceland.
- 3.12. If the Committee chairperson deems it necessary due to extraordinary circumstances, s/he 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.
- 3.13. The Financial Supervision Committee shall report to Parliament on its work once a year.

#### **Article 4**

##### **Decisions taken by the Financial Supervision Committee under the direction of the Governor**

- 4.1. The Governor shall take a seat on the Financial Supervision Committee as its chairperson when the following decisions are taken; cf. Article 15, Paragraph 2 of the Central Bank Act:
- 4.1.1. Decisions on the adoption of rules of procedure for the Financial Supervision Committee, including amendments to the rules and decisions on entrusting the Deputy Governor for Financial Supervision with taking non-major decisions.

- 4.1.2. The following decisions on systemically important financial undertakings' supervisory review and evaluation process:
  - 4.1.2.1. Requiring a capital base exceeding 8% of risk-weighted assets; cf. Article 86(g), Paragraph 4, Item (a) of Act no. 161/2002.
  - 4.1.2.2. Writing down assets in calculating the capital base; cf. Article 86(g), Paragraph 4, Item (d) of Act no. 161/2002.
  - 4.1.2.3. Limiting or restricting a financial institution's activities or, as applicable, through the sale of assets or business units that create increased risk; cf. Article 86(g), Paragraph 4, Item (e) of Act no. 161/2002.
  - 4.1.2.4. Imposing special requirements to maintain liquidity, including due to maturity mismatches in a financial undertaking's assets and liabilities; cf. Article 86(g), Paragraph 4, Item (j) of Act no. 161/2002.
- 4.1.3. The following decisions on resolution procedures for systemically important credit institutions and investment firms:
  - 4.1.3.1. Decisions on whether an institution or conglomeration is operationally viable; cf. Article 4, Paragraph 2 of the Act on Recovery and Resolution of Credit Undertakings and Securities Firms, no. 70/2020.
  - 4.1.3.2. Decisions on whether a company is in financial distress; cf. Article 4, Paragraph 2 of Act no. 70/2020.
- 4.1.4. Decisions in other matters that pertain to the capital, liquidity, and funding of systemically important financial institutions and are deemed to be exceptionally important or to have precedent value.

**Article 5**  
**Decisions taken by the Financial Supervision Committee**  
**under the direction of the Deputy Governor for Financial Supervision**  
**and transfer of authority**

- 5.1. Major decisions that shall be taken by the Financial Supervision Committee are as follows:
  - 5.1.1. Grant of an operating licence to a financial institution or insurance company that has applied for an operating licence pursuant to Article 4, Paragraph 1, Items 1-3 of the Act on Financial Undertakings, no. 161/2002, or Article 17 of the Act on Insurance Activities, no. 100/2016.
  - 5.1.2. Rejection or revocation of an operating licence for a supervised entity; or approval of a recommendation on the grant of, rejection of an application for, or revocation of such an operating licence in those instances where licences are granted by a body other than the Financial Supervisory Authority.
  - 5.1.3. Decisions on whether specified activities are subject to licensing when the matter is in doubt; cf. Article 2 of the Act on Official Supervision of Financial Activities, no. 87/1998.
  - 5.1.4. Dismissal of a board member or managing director of a supervised entity on the basis of Article 10, Paragraph 4 of Act no. 87/1998.
  - 5.1.5. Assessment of an investor's eligibility to own a qualifying holding in a systemically important financial institution pursuant to Article 42 of Act no. 161/2002.
  - 5.1.6. Initiation of legal proceedings, appeal, or referral of a judicial ruling to a higher court.

- 5.1.7. Referral to the police of violations of laws under the auspices of the Financial Supervisory Authority, provided that the violations are considered major.
- 5.1.8. Imposition of per diem fines pursuant to Article 11, Paragraph 1 of Act no. 87/1992 in cases other than those involving regular reporting by supervised entities.
- 5.1.9. Imposition of financial sanctions pursuant to Article 11, Paragraph 4 of Act no. 87/1998.
- 5.1.10. Levy of administrative fines as authorised in special legislation.
- 5.1.11. Substantive discussion and recommendations concerning public issuance of administrative directives (rules) in the financial market.
- 5.1.12. The following decisions on the supervisory review and evaluation process for financial institutions not considered systemically important:
  - 5.1.12.1. Requiring a capital base exceeding 8% of risk-weighted assets; cf. Article 86(g), Paragraph 4, Item (a) of Act no. 161/2002.
  - 5.1.12.2. Writing down assets in calculating the capital base; cf. Article 86(g), Paragraph 4, Item (d) of Act no. 161/2002.
  - 5.1.12.3. Limiting or restricting a financial institution's activities or, as applicable, with the sale or assets or business units that create increased risk; cf. Article 86(g), Paragraph 4, Item (e) of Act no. 161/2002.
  - 5.1.12.4. Imposing special requirements to maintain liquidity, including due to maturity mismatches in a financial undertaking's assets and liabilities; cf. Article 86(g), Paragraph 4, Item (j) of Act no. 161/2002.
- 5.1.13. The following decisions on resolution procedures for credit institutions and investment firms that are not considered systemically important:
  - 5.1.13.1. Decisions on whether an institution or conglomeration is operationally viable; cf. Article 4, Paragraph 2 of the Act on Recovery and Resolution of Credit Undertakings and Securities Firms, no. 70/2020.
  - 5.1.13.2. Decisions on whether a company is in financial distress; cf. Article 4, Paragraph 2 of Act no. 70/2020.
- 5.1.14. The Committee's position when consultation is sought on decisions concerning resolution plans and resolvability, on minimum requirements for own funds and eligible liabilities, and on decisions concerning plans for operational reorganisation; cf. Article 4, Paragraph 3 of Act no. 70/2020.
- 5.2. Furthermore, the Board of the Financial Supervisory Authority takes decisions on other matters not listed in Article 5.1 of these Rules of Procedure that are considered to be exceptionally important or to have precedent value.
- 5.3. The Financial Supervision Committee may authorise the Deputy Governor for Financial Supervision to take decisions not considered major pursuant to Article 5.1 and those not considered to be exceptionally important or to have precedent value pursuant to Article 5.2.

## **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 circumstances arise. If there is any doubt about a Committee member's eligibility, the Financial Supervision Committee shall take a decision on whether that member shall recuse him-/herself.
- 6.3. Committee members who are ineligible shall not participate in any way in handling the case in question, nor shall they 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 which 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. The obligation to observe confidentiality remains in effect after employment 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 14, 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 23 September 2020; 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 6 October 2020, and the Financial Supervision Committee Rules of Procedure of 3 January 2020, with subsequent amendments, 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.