



FJÁRMÁLAEFTIRLITIÐ
THE FINANCIAL SUPERVISORY AUTHORITY, ICELAND

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RULES

ON THE PROPER AND SOUND BUSINESS PRACTICES OF FINANCIAL UNDERTAKINGS

CHAPTER I

General

Article 1

Scope.

These Rules address the general principles that constitute proper and sound business practices of financial undertakings pursuant to the first paragraph of Article 19 of the Act on financial undertakings. The Rules do not, therefore, constitute an exhaustive catalogue of what constitutes proper and sound business practices.

Business practices pursuant to these Rules refers to business practices in the internal and external business activities of financial undertakings, according to Chapters II and III.

The Rules are established subject to the boundaries of competence between the Financial Supervisory Authority and the Consumer Agency, as provided in the Act on supervision of business practices and marketing, the Act on consumer credit, rules and regulations established on the basis of those acts and decisions of the Consumer Agency.

Article 2

Purpose.

The purpose of the Rules is for financial undertakings to conduct their business in accordance with proper and sound business practices and customs in the financial market and thereby increase confidence and credibility in the financial market. In addition, the Rules are intended to promote the operation of financial undertakings in a sound and proper manner in the interests of customers, shareholders, guarantee capital owners and the entire national economy.

Article 3

Assessment of proper and sound business practices



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The Financial Supervisory Authority will assess whether a financial undertaking is operating in accordance with proper and sound business practices and conventions in the financial market, taking account of the third paragraph of Article 1 above.

The assessment of the Financial Supervisory Authority will be based on:

1. provisions of law, regulations and rules that apply to the business activity, their objectives and purpose;
2. guidelines issued by the Financial Supervisory Authority;
3. notices and Decisions from the Financial Supervisory Authority;
4. articles of association, internal rules and criteria of financial undertakings;
5. codes of conduct and other criteria that apply to the business activity;
6. accepted practice in the financial market;
7. the role and nature of the business activity; and
8. other matters than those listed in points 1 - 7, as circumstances warrant.

CHAPTER II

Internal functions of financial undertakings

Article 4

Definition of internal functions

Internal functions refers to the factors in the business activity of a financial undertaking that relate to its operation, structure and governance.

Not included in internal functions pursuant to these Rules are:

- a. matters relating to customers, according to Chapter III;
- b. labour law relations between a financial undertaking and its individual employees;
- c. business relations between a financial undertaking and individual service providers.

Article 5

Business practices in internal functions

An financial undertaking shall possess and utilise in an efficient manner the human resources, procedures and controls which are necessary to enforce these Rules. The above entails, among other things, that a financial undertaking should have in place strong internal control and ensure that employees receive the requisite training.

In addition to the internal rules that a financial undertaking is required to establish pursuant to law, it must establish internal rules and/or criteria regarding the key aspects of its operations, taking account of its nature and scope.

In order to reduce the risk of conflict of interest the financial undertakings shall attend to the fitness of employees to participate in specific or common procedures.



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Article 6

Governance

Financial undertakings are required to observe accepted guidelines on the governance of such undertakings as provided in the third paragraph of Article 19 of the Act on financial undertakings.

Article 7

Outsourcing

The liability of a financial undertaking remains unchanged even if a part of its functions is outsourced to another party under a service contract.

A financial undertaking is required to monitor outsourced tasks and ensure that the party undertaking the tasks possesses sufficient knowledge and meets the requirements that apply to the task in question.

CHAPTER III

External functions of financial undertakings

Article 8

Definition of external functions

External functions refers to the factors in the business activity of a financial undertaking that relate to its business practices with respect to its customers. A customer can be an individual or a legal person.

Article 9

Business practices in external functions

With the establishment of a business relationship a fiduciary obligation is created for a financial undertaking with respect to the customer. For this reason, a financial undertaking shall ensure, in its relations with customers, that

1. ~~that~~ it operates in an honest and just manner and practices its business with professionalism and diligence, guided by the interests of customers and the credibility of the financial market;
2. all information on products and services, including all costs, is provided in a clear and comprehensible manner before business is conducted and while a business relationship is in place;
3. information about products and services are neither misleading nor deceptive;
4. prior to any business involving goods or services, that necessary information is obtained from the customer;
5. the customer is provided with all necessary information regarding the business relationship;



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6. the customer is not subjected to unreasonable pressure to influence his or her decision;
7. the risk of conflict of interests has been mitigated;
8. the policies, procedures and conduct of the functions of the financial undertaking do not restrict or prevent access to general financial services.

Article 10

Processing of complaints

A financial undertaking shall, in its dealings with customers, ensure that queries, complaints and other similar communications are dealt with promptly, efficiently and fairly.

A financial undertaking shall have information accessible as to what regulatory and legal remedies are available to its customers in the event of a dispute arising between a customer and the financial undertaking, including referrals to the Complaints Committee on Transactions with Financial Firms, as provided in the the first paragraph of Article 19 of the Act on financial undertakings.

CHAPTER IV

Further provisions

Article 11

Supervision

The Financial Supervisory Authority is responsible for supervision of financial undertakings within the scope of these rules, taking into account the provisions of the third paragraph of Article 1. The supervision and the recourses available to the Financial Supervisory Authority are subject to the Act on financial undertakings and the Act on the official supervision of financial operations.

Article 12

Forwarding of communications

In the event that the Financial Supervisory Authority receives a communications that falls within the aegis of the Consumer Agency, according to the third paragraph of Article 1, or another government authority pursuant to law, the Authority shall forward the communication in conformity with with the Administrative Procedure Act.

Article 13

Transparency

The Financial Supervisory Authority publishes conclusions of matters and investigations relating to proper and sound business practices in the financial market pursuant to Article 9a of the Act on the official supervision of financial operations and in compliance with the transparency policy of the Authority. Publication means publication on the Financial



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Supervisory Authority's website.

The Financial Supervisory Authority will notify the financial undertakings in question of the conclusions of cases and investigations relating to proper and sound business practices, as applicable.

Article 14

Entry into force

These Rules are established pursuant to authorisation granted in the second paragraph of Article 19 of the Act on financial undertakings with immediate effect.

Financial Supervisory Authority, 12 June 2013

Unnur Gunnarsdóttir.

Halldóra E. Ólafsdóttir.

B-Section – Date of Issue: 15 July 2013