



No. 388/2016;

26 April 2016

RULES
on Bonus Schemes under the Act on Financial Undertakings

Art. 1

Scope

These Rules shall apply to financial undertakings and holding companies in the financial sector as defined by the Act on Financial Undertakings

These rules shall not affect employees' rights or obligations arising from collective agreements.

Art. 2

Definitions

For the purpose of these rules, the following meanings shall apply:

Managing director: the person whom an undertaking's Board of Directors hires to direct its operations in accordance with the provisions of the Act on Public Limited Companies or Act on Financial Undertakings, regardless of his/her actual title.

Undertaking: a financial undertaking or holding company in the financial sector, as defined by the Act on Financial Undertakings.

Bonus scheme: rules of an undertaking on bonuses.

Bonus: remuneration for employment to an employee of an undertaking which is generally determined with regard to performance and is not part of the employee's fixed remuneration, the final amount or extent of which is not known precisely in advance.

Key employee: an individual in a management position in the undertaking, other than the managing director, who is authorised to take decisions which can affect the future development and performance of the undertaking.

Art. 3



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General rules on bonus schemes

An undertaking may award bonuses to employees based on a bonus scheme taking into consideration the undertaking's overall performance over a longer period, its underlying risk and financing cost.

A bonus scheme may not contribute to creating total payments and future liabilities in connection with bonuses which restrict the positive development of the undertaking's capital base or jeopardise its liquidity.

Art. 4

Objectives of bonus schemes

Bonus schemes shall aim to:

1. not encourage immoderate risk-taking and shall accord with an undertaking's risk strategy and risk appetite;
2. not create conflicts of interest;
3. comply with the undertaking's long-term interests;
4. comply with considerations aimed at protecting the undertaking's clients, creditors, shareholders and guarantee capital owners;
5. not undermine financial stability; and
6. comply in other respects with proper and sound business practices.

Art. 5

Adoption of a bonus scheme

If an undertaking intends to award employees bonuses it must establish a bonus scheme which accords with those objections that the scheme is to secure, cf. Art. 4 and the substance of these Rules in other respects. A bonus scheme is considered to be part of the undertaking's remuneration policy, where such a policy exists.

A bonus scheme must be approved by the Board of Directors after receiving the opinion of the Remuneration Committee and Risk Committee, if such committees exist. The undertaking must notify the Financial Supervisory Authority without delay of the adoption of a bonus scheme. Such a notification shall be accompanied by an evaluation and an analysis of the scheme, as provided for in Art. 13.

The undertaking's Board of Directors is responsible for ensuring that its bonus scheme accords with the law and rules. The managing director shall ensure that the contracts for bonuses and the determination of and payment of bonuses to employees accords with law, rules and the undertaking's bonus scheme.

Art. 6

Maximum bonuses

The total bonus paid to an employee, including that portion of payment which is to be postponed as provided for in Art. 7, may not exceed 25% of the annual salary of the



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employee concerned excluding the bonus.

Art. 7

Postponement of bonuses

Payment of at least 40% of the calculated bonus shall be postponed for at least three years.

Notwithstanding the first paragraph, if the bonus awarded to an employee does not amount to more than 10% of his/her annual salary excluding the bonus it may be paid to the employee without postponement.

The provision in the first paragraph shall apply even if the employee ceases employment with the undertaking.

If the postponed bonus obligations of an undertaking bear interest and indexation this must accord with the general terms of inflation-indexed deposit accounts.

Art. 8.

Composition of bonuses

A bonus scheme shall be based on the principle of maintaining a suitable balance between fixed remuneration and bonuses.

A bonus scheme shall be structured so that whether it consists, for example, of a cash payment, a holding in the undertaking or a mixture of various factors, it is calculated with a view to encouraging the undertaking's sound and prudent operation in the long term.

When an undertaking grants a bonus in the form of a holding in the undertaking, and intends to postpone its disbursement, or when an undertaking grants a stock option and acquires its own shares provisionally in connection with such transactions, it must take care to ensure that the aggregate proportion of the shares complies with Art. 29 of the Act on Financial Undertakings. An undertaking must recognise such holdings in its balance sheet and may not preserve such holdings in another company.

A bonus scheme shall prohibit an employee from hedging him-/herself against the underlying risks which affect the determination of the bonus, e.g. through derivatives transactions.

Art. 9.

Assessment of performance and risk

A decision on granting a bonus must be based on measurable performance benchmarks which have been approved by the Board of Directors. The performance benchmarks shall be set before the performance period on which bonuses are based



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In evaluating performance as referred to in the first paragraph regard shall be had, among other things, for an employee's performance, the performance of the business unit to which he/she belongs, the undertaking's overall performance and the risk-taking which underlies this performance. The undertaking shall also take into consideration whether the employee complies with the undertaking's internal rules and procedures and respective laws and administrative provisions in his/her work.

Art. 10

Guaranteed bonus and sign-on bonus

Bonuses may not be awarded to employees independently of performance evaluation as referred to in Art. 9, i.e. guaranteed bonuses.

The provision of the first paragraph shall not prevent an undertaking from awarding an employee a sign-on bonus in his/her first year of work.

The total of a sign-on bonus and any other bonus paid to an employee during the first year of work, including that portion which is postponed, as referred to in Art. 7, may not exceed 25% of the annual salary of the employee concerned excluding the bonus. The provision of Art. 7 on postponement of a bonus applies to sign-on bonuses.

If an employee ceases employment and is hired again by the same undertaking or another company in its group within three years of ceasing employment, the employee may not be granted a sign-on bonus.

Art. 11

Special provisions on directors, employees of supervisory units and intermediation by third parties

An undertaking's directors and the employees of risk management, internal audit or compliance may not be awarded bonuses.

The fixed remuneration of employees working in risk management, internal audit or compliance shall be sufficient to attract qualified and experienced individuals to such positions, reflect the responsibility which rests with such employees and be competitive. The supervision of internal audit as referred to in Art. 13 shall include the above.

An employee of the undertaking may not accept bonus payments from a third party.

Art. 12

Review of the bonus scheme

An undertaking's Board of Directors shall review its bonus scheme at least once each year to ensure that it reflects the undertaking's current situation, financial market



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circumstances and evaluations and analyses as referred to in Art. 13. Changes approved for a bonus scheme must be notified without delay to the Financial Supervisory Authority.

Art. 13

Supervision of the bonus scheme and its implementation within the undertaking

The following parties shall at least once a year carry out an evaluation and analysis of whether bonuses comply with the undertaking's bonus scheme, performance benchmarks, these Rules, the undertaking's current situation and financial market circumstances.

1. Risk management shall analyse the impact of the bonus scheme on the undertaking's risk profile and operations.
2. The compliance officer shall analyse how the structure of the bonus scheme affects the compliance with laws and rules, including these Rules and the undertaking's internal rules.
3. Internal audit shall regularly examine the structure, implementation and impact of the undertaking's bonus scheme. One aspect of this supervision shall be an annual evaluation of the total remuneration of the managing director and key employees. This evaluation shall take into consideration any sort of payments from the undertaking's subsidiaries if such exist. In addition, an evaluation shall be made of bonuses paid to other employees.

If the above-mentioned parties see cause to raise objections these shall be notified formally to the undertaking's Board of Directors and to the Financial Supervisory Authority without delay.

If an undertaking has neither risk management, a compliance officer or internal audit its Board of Directors shall carry out the tasks assigned to those parties under this provision.

Undertakings shall send the evaluations and analyses referred to in the first paragraph to the Financial Supervisory Authority without delay.

Art. 14

Revoking and repayment of bonuses

An undertaking's bonus scheme shall ensure that a bonus is not granted or only granted in part when one or more of the following situations develops:

1. the prescribed performance by the employee concerned is not achieved;
2. the prescribed performance by the business unit concerned in the undertaking is not achieved;
3. it is foreseen that the undertaking will not or is not likely to satisfy requirements for its capital base or an assessment of its capital requirements, as referred to in Art. 84 of the Act on Financial Undertakings or requirements of applicable rules on liquidity;
4. the employee does not comply with the undertaking's internal rules or



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- procedures or does not respect laws or administrative provisions in his/her work; or
5. the undertaking receives a loan of last resort from a central bank or similar financial assistance.

An undertaking's bonus scheme must ensure that a bonus, which has been awarded but not disbursed or which has been postponed, as referred to in Art. 7, can be revoked in part or in full before the planned date for its disbursement arrives if one or more of the situations referred to in the first paragraph develops.

An undertaking's bonus scheme must ensure that it is authorised to demand full or partial repayment from an employee of a bonus already paid if it turns out that the employee participated in or was responsible for actions which caused the undertaking substantial loss or was in major breach of his/her duties. The bonus scheme shall provide in detail for events and situations which result in the undertaking being authorised to demand repayment from an employee. The time limit for submitting a demand for repayment from an employee shall never be shorter than seven years from the disbursement of the bonus.

An undertaking's bonus scheme must ensure that, if the undertaking fails to satisfy provisions on maintaining capital buffers as referred to in Articles 84 b – 84 e of the Act on Financial Undertakings, bonuses shall only be paid to employees in accordance with the undertaking's maximum disbursement amount, cf. the sixth and seventh paragraphs of Art. 84 a of the same Act.

Art. 15

Information disclosure and transparency

All employees shall be informed of the main points of the bonus scheme. Employees who receive a bonus based on the undertaking's bonus scheme shall be informed of those aspects which affect payments made to them.

Employees' entitlements earned under a bonus scheme shall be recognised as an expense each year as prescribed by financial reporting rules.

At the Annual General Meeting shareholders or guarantee capital owners shall be given a clear account of the main aspects of the bonus scheme.

The annual financial statements shall include an account of the undertaking's bonus scheme and describe bonus entitlements. This shall include at least information concerning the undertaking's aggregate liabilities in connection with bonuses, both those liabilities which will be paid during the financial year and those future liabilities which the undertaking has acquired in connection with bonus payments, cf. further statutory provisions which apply to the undertaking's financial reporting. In addition, the annual financial statements shall include an account of the overall remuneration, i.e. not just bonuses but rather all payments and benefits, of managing directors and key employees.

Art. 16



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Entry into force, etc.

These Rules are issued on the basis of the fourth paragraph of Art. 57 a of the Act on Financial Undertakings and shall enter into force immediately. As of the same date Rules No. 700/2011, on Bonus Schemes of Financial Undertakings shall be repealed.

A financial undertaking may only pay bonuses in accordance with these Rules, cf. Article 57 a, of the Act on Financial Undertakings. Violations of Art. 57 a may be liable for sanctions under Articles 110 and 112 b of the same Act.

Financial Supervisory Authority, 26 April 2016

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