No. 920/2008, 30 September 2008
Rules on the supplementary supervision of financial conglomerates

CHAPTER I

General Provisions

Article 1

Scope and definition of the term financial conglomerate

These rules apply to the supplementary supervision of regulated entities in financial markets, which are subject to Act No. 161/2002 on Financial Undertakings and Act No. 60/1994 on Insurance Activities, and which are a part of a financial conglomerate, in addition to the parent undertakings of financial conglomerates as further provided for in these rules.

A financial conglomerate is a group which meets the following conditions, subject to the provisions of Articles 3 to 9 on the designation of a financial conglomerate:

1. A regulated entity is at the head of the group, or at least one of the subsidiaries in the group is a regulated entity. Where there is a regulated entity at the head of the group, it is either a parent undertaking of an entity in the financial market, an entity which holds a participation in an entity in the financial market, or an entity linked with an entity in the financial market by a relationship involving the following:
    a. that the undertaking and one or more other undertakings with which it is not connected are managed on a unified basis pursuant to a contract concluded with that undertaking or provisions in the articles of association of those undertakings; or
    b. that the majority of the board or management of the undertaking and other undertakings with which it is not connected consist of the same persons during the financial year.
2. Where there is no regulated entity at the head of the group, the group's activities occur mainly in the financial market within the meaning of Article 3.
3. At least one of the entities in the group is within the insurance sector, and at least one is within the financial sector.
4. The aggregated scope of activities of entities within the insurance sector on the one hand, and within the financial sector on the other, are considered significant within the meaning of Articles 4 and 5.

Any subgroup of a group that meets the conditions of items 1 to 4 of the second paragraph of Article 1 shall be considered a financial conglomerate.

On the designation of financial conglomerates in accordance with Chapter II of these rules, the term group can also apply to a number of undertakings that are likely, on the preparation of their next annual accounts, to be regarded as a group within the meaning of item 9 of Article 2.

Article 2

Definitions

For the purposes of these rules, the terms below shall mean as follows:

1. *Financial undertaking:* Financial undertakings according to Article 4 of Act No. 161/2002 on Financial Undertakings, together with undertakings with operating permits in states outside the EEA that meet the definition of the said Article.
2. *Insurance undertaking:* Insurance undertakings according to Article 2 of Act No. 60/1994 on Insurance Activities, together with insurance undertakings with operating permits in states outside the EEA that meet the definition of the said Article.
3. *Regulated entity:* An entity in the financial market that is subject to the provisions of Act No. 161/2002 on Financial Undertakings and/or Act No. 60/1994 on Insurance Activities.
4. *Legal provisions applicable to the financial market:* On the one hand, this means Act No. 161/2002 on Financial Undertakings together with regulations and rules issued on the basis of that Act and, on the other, Act No. 60/1994 on Insurance Activities together with the regulations and rules issued on the basis of that Act.
5. *Financial market:* A market that consists of one or more of the following undertakings:
    a. Financial undertakings and undertakings connected with the financial sector, as provided for in Act No. 161/2002 on Financial Undertakings (known collectively as the financial sector).
    b. Insurance undertakings and holding companies in the insurance sector, as provided for in Act No. 60/1994 on Insurance Activities (known collectively as the insurance sector).
    c. Mixed holding companies with financial activities, as provided for in Article 97 of Act No. 161/2002 on Financial Undertakings and Article 7 of Act No. 60/1994 on Insurance Activities.
6. *Parent undertaking:* An undertaking fulfilling one or more of the following conditions:
    a. owns the majority of votes in another undertaking;
    b. holds a participating interest in another undertaking and has the right to appoint or remove a majority of the members of its board or management;
    c. has a participating interest in another undertaking and has decision making powers as regards the operation and financial management of that undertaking on the basis of the undertaking's articles of association or contracts with the undertaking;
    d. has a participating interest in another undertaking and controls the majority of votes in the undertaking on the basis of an agreement with other shareholders;
    e. owns shareholdings in another undertaking and holds the decision making powers as regards the operation and financial management of that undertaking.

In addition to the above, a parent undertaking can be any undertaking which, in the opinion of the competent authorities, effectively exercises a dominant influence over another undertaking.

7. *Subsidiary undertaking:* An undertaking that is effectively controlled by another undertaking in the manner described in item 6 of Article 2. All subsidiary

undertakings of subsidiary undertakings shall be considered as subsidiary undertakings of the parent undertaking.

8. *Participation (associated undertaking):* Ownership in an undertaking, not, however, a subsidiary undertaking, where another undertaking or its subsidiary undertaking own a substantial shareholding or have formed permanent links for the purpose of influencing its operation. Such an undertaking is considered an associated undertaking. An undertaking is at all times considered to own a substantial shareholding if it, or its subsidiaries, own at least a 20% direct or indirect shareholding (in shares, guarantee capital or voting rights) in another undertaking.
9. *Group:* A group of undertakings consisting of a parent undertaking, its subsidiaries and the undertakings in which the parent undertaking or its subsidiaries hold a participating interest, as well as undertakings linked to each other by a relationship within the meaning of items 1.a and 1.b in the second paragraph of Article 1.
10. *Close links:* Close links pursuant to the second and third paragraphs of Article 18 of Act No. 161/2002 on Financial Undertakings.
11. *Mixed holding company with financial activities:* Mixed holding company with financial activities as provided for in the sixth paragraph of Article 97 of Act No. 161/2002 on Financial Undertakings.
12. *Competent authorities:* Regulatory authorities in EEA member states who are empowered to monitor the legal provisions applicable to the financial market, whether on an individual or a group-wide basis. In Iceland, this role is undertaken by the Financial Supervisory Authority or FME (Fjármálaeftirlitid).
13. *Co-ordinator:* The FME or other competent authority in an EEA member state in which the financial conglomerate operates and which has been appointed co-ordinator in accordance with the provisions of Article 26 of these rules.
14. *Appropriate competent authorities:*
    a. authorities in EEA member states responsible for the sectoral group-wide supervision of any of the regulated entities in a financial conglomerate – in Iceland, FME.
    b. the co-ordinator appointed in accordance with Article 26 of these rules, if different from the authorities referred to in item a, and
    c. other authorities, as appropriate, in the opinion of the authorities referred to in items a and b. This opinion shall especially take into account the market share of the regulated entities of the conglomerate in other member states, in particular if it exceeds 5%, and the importance in the conglomerate of any regulated entity established in another member state.
15. *EEA member states:* The states party to the Agreement on the European Economic Area. Also falling under the term in these rules are states that enjoy comparable rights in accordance with international agreements, provided such is provided for in provisions of law applicable to the financial market.
16. *Intra-group transactions:* All transactions by which regulated entities within a financial conglomerate rely either directly or indirectly upon other undertakings within the same group or upon any natural or legal person linked to the undertakings within that group by close links, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.
17. *Risk concentration:* Exposure to potential loss borne by entities within a financial conglomerate, which are large enough to threaten the solvency or the financial position in general of the regulated entities in the financial conglomerate. Such exposures may be caused by counterparty risk / credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these types of risk.

18. *Equity base:* In these rules, equity base means the equity base of financial undertakings as provided for in Chapter X of Act No. 161/2002 on Financial Undertakings, the solvency of insurance undertakings as provided for in Chapter III of Act No. 60/1994 on Insurance Activities or, when appropriate, calculated in accordance with the rules of other member states or states outside the EEA.
19. *Minimum solvency:* In these rules, minimum solvency means the capital adequacy of financial undertakings as provided for in Chapter X of Act No. 161/2002 on Financial Undertakings, the minimum solvency of insurance undertakings as provided for in Chapter III of Act No. 60/1994 on Insurance Activities or, when appropriate, calculated in accordance with the rules of other member states or states outside the EEA.

CHAPTER II

Designating financial conglomerates

Article 3

Determination of whether the activities of a group occur mainly in the financial market

When determining whether the activities of a group occur mainly in the financial market when an undertaking not subject to regulation is at the head of the group, the ratio of the aggregated balance sheet total of undertakings in the financial market must exceed 40% of the balance sheet total of the group as a whole.

Article 4

Basic criteria on the determination of whether activities in the financial sector and insurance sector are considered significant

On determining whether activities in the financial sector, on the one hand, and the insurance sector, on the other, are each considered significant, the total scope in each sector must exceed 10% of the average ratios calculated in accordance with the following:

a. the ratio of the balance sheet total of the undertakings belonging to the sector in question, to the aggregated balance sheet total of undertakings belonging to the financial market, and
b. the ratio of minimum solvency of undertakings belonging to the sector in question to the aggregated minimum solvency of undertakings belonging to the financial market.

If the average of the ratios is higher with respect to the financial sector, the core activities of the financial conglomerate shall be in the financial sector and less significant activities in the insurance sector. Otherwise, the core activities of the financial conglomerate shall be in the insurance sector and less significant activities in the financial sector.

Article 5

Other criteria on the determination of whether activities in the financial sector and insurance sector are considered significant

Even when the conditions of Article 4 are not met, the financial sector on the one hand, and the insurance sector on the other, are each considered significant if the aggregated balance sheet total of undertakings in the less significant sector of the group is greater than EUR 6 billion. If the group does not reach the threshold ratio referred to in Article 4, but meets the conditions of this Article on less significant sectors of the group, the relevant competent authorities may decide by common agreement not to regard the group as a financial conglomerate, or not to apply the provisions of Articles 23 to 25, if they are of the opinion this is not necessary or would be inappropriate or misleading with respect to the objectives of supplementary supervision. Such opinion may be based on the following factors:

a. the relative size if its smaller financial sector does not exceed 5% if such proportion is measured according to the average of items a and b in the first paragraph of Article 4 or measured in accordance with either item a or b in the first paragraph of Article 4, or
b. the market share of undertakings in the financial market does not exceed 5 % in the member states in which the undertakings operate, measured in terms of the balance sheet total in the financial sector or in terms of gross premiums recorded in the insurance sector.

Decisions taken in accordance with this paragraph shall be notified to other competent authorities as appropriate.

Article 6

Exceptions on the determination of whether a group is considered a financial conglomerate

For the application of Articles 3 to 5, the relevant competent authorities may, under exceptional circumstances and by common agreement, decide to:

a. Exclude an entity when calculating the ratios, when they fall under cases provided for in Article 22.
b. Take into account compliance with the thresholds envisaged in Articles 3 and 4 for three consecutive years. Moreover, such compliance may be disregarded if there are significant changes in the group’s structure.

Where a financial conglomerate has been designated according to Articles 3 to 5, the decisions referred to in this Article shall be taken on the basis of a proposal made by the co-ordinator of that financial conglomerate.

Article 7

Other methods for designating a financial conglomerate

On the application of Articles 3 and 4, the relevant competent authorities may, in exceptional cases and by common agreement, use either or both income structure and/or off-balance-sheet activities, as a criterion in place of or in addition to the balance sheet total. This applies when

the above parties are of the opinion that this criterion has special significance for the object of the supplementary supervision.

Article 8

Groups that no longer meet conditions to be considered financial conglomerates

If the proportion of financial activities pursuant to Article 3 falls below 40%, a lower ratio of 35% shall apply for the following three years.

If the significance of the financial sector or insurance sector pursuant to Article 4 falls under 10%, a lower ratio of 8% shall apply for the following three years.

If the aggregated balance sheet total of undertakings subject to the provisions of Article 5 falls below EUR 6 billion, a lower figure of EUR 5 billion shall apply for the following three years.

During the above period, the co-ordinator may, with the agreement of the other relevant competent authorities, decide that the lower ratios or the lower amount referred to in this paragraph shall cease to apply.

Article 9

Definition of the balance sheet total

The balance sheet total referred to in Articles 3 to 8 refers to the aggregated balance sheet total of all the undertakings in the group, according to their most recent annual accounts. Undertakings in which a participation is held shall be taken into account as regards the amount of their balance sheet total corresponding to the aggregated proportional share held by the group. Balance sheet values in the consolidated accounts of the group of undertakings in question shall be used where available.

Article 10

Designation of financial conglomerates by competent authorities

Competent authorities which have granted operating permits to regulated entities shall designate all groups that fall under the scope of these rules.

For this purpose, competent authorities which have granted operating permits to regulated entities in the group shall co-operate to the extent necessary. If a competent authority is of the opinion that a regulated entity to which it has granted an operating permit is a member of a financial conglomerate, which has not been designated, the competent authority shall communicate its view to the other competent authorities concerned.

Article 11

Notification of the designation of financial conglomerates

The co-ordinator shall inform the parent undertaking at the head of a group that the group has been designated as a financial conglomerate and of the appointment of the co-ordinator.

In the absence of a parent undertaking at the head of the group, the co-ordinator shall inform the regulated entity with the largest balance sheet total in the more significant financial sector in a group of the designation pursuant to the first paragraph.

The co-ordinator shall also inform the competent authorities which have granted operating permits to the regulated entities in the group and the competent authorities of the EEA member state in which the mixed holding company with financial activities has its head office, as well as other appropriate entities, of the designation of the financial conglomerate.

CHAPTER III

Scope of the supplementary supervision of financial conglomerates

Article 12

Scope of the supplementary supervision of regulated entities

In addition to statutory supervision in accordance with provisions of law applicable to financial markets, these rules provide for the supplementary supervision of regulated entities pursuant to Article 1.

In addition to statutory supervision according to the appropriate provisions of law applicable to the financial market, the following regulated entities shall be subject to supplementary supervision at the level of the financial conglomerate.

a. All regulated entities that are at the head of a financial conglomerate.
b. All regulated entities, the parent undertakings of which are mixed holding companies with financial activities which have their head offices in the EEA.
c. All regulated entities linked with other financial market entities by a relationship within the meaning of item 1 of the second paragraph of Article 1.

Where a financial conglomerate is a subgroup of another group considered to be a financial conglomerate within the meaning of these rules, the FME may determine that the supplementary supervision shall apply only to the latter group.

Article 13

Supplementary supervision of conglomerates where the parent company is outside the EEA

All regulated entities which are not subject to supplementary supervision in accordance with Article 12, the parent undertaking of which is a regulated entity or a mixed holding company with financial activities, having its head office outside the EEA, shall be subject to

supplementary supervision at the level of the financial conglomerate to the extent and in the manner considered necessary, having taken Article 29 of these rules into consideration.

Article 14

Supplementary supervision with entities with ties to natural persons

In cases other than those provided for in Articles 12 and 13, when natural persons hold a participating interest or have capital ties in one or more regulated entities or exercise significant influence over such entities without holding a participating interest or having capital ties, the relevant competent authorities shall, by common agreement and in conformity with national law, determine whether and to what extent supplementary supervision of the regulated entities is to be carried out, as if they constituted a financial conglomerate.

In order to apply such supplementary supervision, at least one of the above entities must be a regulated entity as provided for in the first paragraph of Article 1, and the conditions of items 3 and 4 in the second paragraph of Article 1 must be met.

For the purposes of applying the first paragraph to co-operative groups, the competent authorities must take into account the financial commitments of these undertakings with respect to other entities in the financial market.

Article 15

Supervision of activities unrelated to the activities of financial conglomerates

With the exception of Article 27 of these rules or other legislative provisions, the exercise of supplementary supervision at the level of the financial conglomerate shall in no way imply that the competent authorities are required to play a supervisory role with regard to the activities in which mixed holding companies with financial activities, non-EEA-regulated entities or unregulated entities in a financial conglomerate are involved and which are not connected with the activities of a financial conglomerate.

CHAPTER IV

Supervision of the financial position of financial conglomerates

Article 16

Scope of supervision of financial position

In addition to the provisions of law applicable to financial markets, the supplementary supervision of the financial positions of regulated entities in a financial conglomerate is subject to the provisions of Articles 17 to 22, Article 25 and Article 28.

Article 17

Supervision of the financial position of financial conglomerates

Regulated entities in a financial conglomerate must ensure that the equity base of the financial conglomerate is at all times at least equal to the minimum solvency of the conglomerate.

Regulated entities that are a part of a financial conglomerate must ensure that they have policies stipulating the manner in which the minimum solvency requirements of the financial conglomerate shall be met.

The requirements referred to in the first and second paragraphs shall be subject to supervisory overview by the co-ordinator. The co-ordinator shall ensure that the regulated entities or the mixed holding companies with financial activities carry out, at least once a year, a calculation of the financial position pursuant to the first paragraph.

A regulated entity that is at the head of a financial conglomerate, a mixed holding company with financial activities or other party nominated by the co-ordinator, having consulted with other appropriate competent authorities, shall send to the co-ordinator the results of the calculations pursuant to this Article together with the appropriate documents.

Article 18

Entities to be included in the calculation of the equity base and minimum solvency

Entities considered as part of the financial market pursuant to item 5 of Article 2 shall be included in the calculation of the equity base and minimum solvency, according to this Chapter.

Article 19

Calculation of the equity base of a financial conglomerate

The equity base of a financial conglomerate shall be based on consolidated statements. On the evaluation of what items should be included in the calculation of the equity base, account must be taken of Article 84 of Act No. 161/2002 on Financial Undertakings and Article 29 of Act No. 60/1994 on Insurance Activities. Restrictions contained in the above provisions of law on including specific items in the equity base are based on the proportional weight of each aspect of the financial market in the overall equity base of the conglomerate.

Equity items that can be traced to subsidiaries not included in the consolidated financial statements shall be deducted.

Equity items used in more than one undertaking within the group may only be included once in the equity base.

Equity items that form within a group inappropriately shall be deducted from the equity base. On assessing what is considered inappropriate, the criteria of the relevant provisions of law applicable to financial markets shall be used.

On the evaluation of the equity base of a financial conglomerate, the FME, moreover, shall take account of whether equity items may be transferred between sectors in the financial market.

Article 20

Calculation of the minimum solvency of a financial conglomerate

The minimum solvency of a financial conglomerate can be calculated by adding together the minimum capital adequacy of the financial undertakings in the group, as provided for in Article 84 of Act No. 161/2002 on Financial Undertakings, and the minimum solvency of all insurance undertakings in the conglomerate, as provided for in Articles 30 to 33 of Act No. 60/1994 on Insurance Activities. The minimum solvency of individual undertakings shall be included in the calculation of the minimum solvency of the conglomerate to the same extent as the consolidated financial statements include the undertaking in question. In the event that one or more subsidiaries within the group do not meet requirements for minimum solvency in the relevant sector of the financial market, the sum total of the balance lacking shall be deducted from the minimum solvency of the conglomerate. The co-ordinator may grant an exemption from the provisions of this paragraph if he is of the opinion that the liability of the parent company is clearly and unequivocally limited to the shareholding.

Where there are no ownership ties between entities in a group, the coordinator, after consultation with the other relevant competent authorities, shall determine which proportional share will have to be taken into account, bearing in mind the liability to which the existing relationship gives rise.

The equity base and minimum solvency of a mixed holding company with financial activities shall be calculated on a consolidated basis in accordance with the provisions of law applicable to the more significant sector of the financial conglomerate. The part of the group not considered a part of the financial market is exempt.

Article 21

Authorisation to use other methods in the calculation of equity bases and minimum solvency

If the financial conglomerate operates in states other than EEA member states, the FME, in consultation with other relevant competent authorities, may permit that Articles 19 and 20 on the calculation of equity base and minimum solvency shall not apply. Concurrently, it shall be determined that on the calculation of the equity base and minimum solvency, use shall be made of method 2, method 3 or method 4 contained in Chapter II of Annex I to Directive 2002/87/EC.

Article 22

Authorisation to exempt parties from calculating the equity basis and minimum solvency

The co-ordinator may decide to exempt parties from calculating the equity base and minimum solvency pursuant to Articles 19 and 20, if:

a. the entity is situated in a state outside the EEA where legal impediments to accessing necessary information may be expected,
b. the entity is of negligible interest with respect to the objectives of theses rules, or
c. the inclusion of the entity in the calculation of the equity bases and minimum solvency would be inappropriate or misleading with respect to the objectives of these rules.

If several entities are to be excluded pursuant to item b of the first paragraph, they must nevertheless be included when collectively they are of non-negligible interest.

Except in cases of urgency, the co-ordinator shall consult with the other relevant competent authorities before taking a decision based on item c of the first paragraph.

When a regulated entity falls under items b and c of the first paragraph according to the decision of the co-ordinator, the parent company of a financial conglomerate that has its headquarters in Iceland shall provide the competent authorities of other EEA states that supervise the regulated entity in question any information requested that relates to the supervision of that entity.

Article 23

Supervision of risk concentration

With respect to risk concentration of regulated entities within financial conglomerates, the provisions of law applicable to financial markets, together with these rules, shall apply. If a mixed holding company with financial activities is the parent company of the conglomerate, the legal provisions applicable to the financial market sector considered to be greater in scope shall apply to the conglomerate as a whole and to the parent company.

The co-ordinator shall specifically monitor risks relating to contagion within the conglomerate, the risk of a conflict of interests, the risk of circumvention of legal provisions applicable to the financial market, as well as the type and scope of risks.

Regulated entities or mixed holding companies with financial activities within a financial conglomerate shall regularly provide the co-ordinator, in the manner and in the format determined by the co-ordinator, with information on all substantial concentration of the financial conglomerate’s risk. The co-ordinator shall, in consultation with other relevant competent authorities, specify the types of risk on which information must be provided, having taken into account the group’s characteristics and risk management.

Article 24

Intra-group transactions

With respect to intra-group transactions, the provisions of law applicable to the financial market, together with these rules, shall apply. If a mixed holding company with financial activities is the parent company of the conglomerate, the legal provisions applicable to the financial market sector considered to be the core activity of the financial conglomerate shall apply to the sector as a whole and to the parent company.

The co-ordinator shall specifically monitor risks relating to contagion within the conglomerate, the risk of a conflict of interests, the risk of circumvention of legal provisions applicable to the financial market, as well as the type and scope of risks.

Regulated entities or mixed holding companies with financial activities within a financial conglomerate shall regularly provide the co-ordinator, in the manner and in the format determined by the co-ordinator, with information on all substantial transactions within the financial conglomerate. The co-ordinator shall, in consultation with other relevant competent authorities, specify the types of transactions for which information must be provided, having taken into account the group's characteristics and risk management.

Substantial transactions pursuant to the third paragraph means all transactions where the amount exceeds 5% of the minimum solvency of the financial conglomerate.

Article 25

Risk management and internal controls

Regulated entities within a financial conglomerate must ensure the presence of internal controls and risk management at the conglomerate level. The FME's recommendations on the internal controls and risk management of financial undertakings shall apply to the financial conglomerate as a whole.

Risk management shall include at least:

a. sound management involving the approval and periodical review of risk policies applicable within the financial conglomerate by the appropriate governing bodies,
b. adequate solvency policies that take into account the impact of business strategies on risk profiles and financial positions, as provided for in Articles 16 to 22, and
c. adequate procedures to ensure that their risk monitoring systems are well integrated into their organisation and that all measures are taken to ensure that the systems implemented in all the undertakings included in the scope of supplementary supervision are consistent so that the risks can be measured, monitored and controlled at the level of the financial conglomerate.

Internal controls shall include at least:

a. adequate mechanisms to delimit and measure all substantial risks relating to financial position and ensure that the equity base is in accordance with the risk, and

b. sound reporting and accounting procedures to identify, measure, monitor and control intra-group transactions and risk concentration at the conglomerate level.

The co-ordinator shall monitor that all entities subject to supplementary supervisions have adequate internal controls that can provide any information necessary to supervise financial conglomerates.

CHAPTER V

Special provisions on supplementary supervision

Article 26

Co-operation between competent authorities within the European Economic Area (EEA)

The FME and other appropriate competent authorities co-operate as regards supervision of undertakings within financial conglomerates.

In cases where a financial conglomerate operates in more than one state within the EEA, the FME, together with the relevant competent authority, shall appoint a single co-ordinator who will be responsible for co-ordination and performance of the supplementary supervision. The appointment of a co-ordinator is determined in accordance with the criteria provided in Article 10 of Directive 2002/87/EC. The tasks of the co-ordinator, as well as the co-operation and exchange of information between competent authorities, shall be governed by the criteria provided in Articles 11 and 12 in the above Directive.

In the event that the parent company is domiciled outside Iceland, the FME shall provide the competent authorities who are responsible for supervising the parent company with all information, as provided for in Article 107 of Act No. 161/2002 on Financial Undertakings and the third paragraph of Article 54 of Act No. 60/1994 on Insurance Activities.

If the parent company of the conglomerate is subject to the supervision of the FME, the FME shall obtain the same information from the relevant competent authorities of other undertakings in the conglomerate.

Article 27

Management competence

Board members and the managing director of a mixed holding company with financial activities shall meet the competency requirements of Article 52 of Act No. 161/2002 on Financial Undertakings and Article 43 of Act No. 60/1994 on Insurance Activities.

Article 28

Financial restructuring of a financial conglomerate

In the event that regulated entities within a financial conglomerate do not comply with the provisions of Articles 16 to 25 of these rules, or, in the event that, despite complying with the said articles, the requirement for minimum solvency is jeopardised or the solvency of the

conglomerate is threatened due to intra-group transactions or risk concentration, the relevant competent authorities may demand that remedial measures be taken.

The relevant competent authorities may, as appropriate, require the parent company of the financial conglomerate to submit a schedule for remedial actions for the conglomerate's finances.

The schedule shall contain, i.a.:

a. proposals for essential actions,
b. the manner in which the planned actions will protect the financial interests of depositors, claim holders and investors as well as the insurance protection of the insurance holder, and
c. the schedule's timeframe.

In the event that the financial restructuring is not possible within the schedule's timeframe or that the planned actions are unlikely to protect the financial interests of depositors, claim holders and investors as well as the insurance protection of the insurance holder, the relevant competent authorities, as appropriate, shall determine what action shall be taken.

The relevant competent authority pursuant to this Article shall mean as follows:

a. the co-ordinator, in the case of a mixed holding company with financial activities, or
b. the relevant competent authority that grants operating permits, in the event of a regulated entity.

The competent authorities involved, including the co-ordinator, shall, where appropriate, co-ordinate their supervisory actions.

CHAPTER VI

Communications with competent authorities outside the EEA

Article 29

Financial conglomerates where the parent company is domiciled outside the EEA

The FME and other competent authorities, as appropriate, shall determine whether the parent company of a conglomerate that has its head office outside the EEA is subject to supervision that is equivalent to that provided for by the EEA. The determination shall be made by the competent authority considered to be the co-ordinator pursuant to Article 26 of these rules and shall take account of Article 18 of Council Directive 2002/87/EC.

In the event that the supervision of the parent company does meet requirements according to EEA rules, the supervision of other undertakings shall be in accordance with Article 13 of these rules. The competent authorities may require the establishment of a mixed holding company with financial activities with head offices within the EEA and may apply the provisions of these rules to its subsidiaries.

Co-operation with competent authorities outside the EEA shall be governed by the provisions of Article 19 of Directive 2002/87/EC and rules of communication between supervisory authorities within the EEA.

CHAPTER VII

Entry into force

Article 30

These rules are established pursuant to authorisation granted in the third paragraph of Article 94 and the third paragraph of Article 109 of Act No. 161/2002 on Financial Undertakings, as amended, and the fifth paragraph of Article 29 and the fifth paragraph of Article 54 of Act No. 60/1994 on Insurance Activities, as amended.

These rules shall enter into force immediately.

The Financial Supervisory Authority – Iceland, 30 September 2008.

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B-section – Date of issue: 30 September 2008