

No. 18/2022

14 January 2022

RULES

on Current Accounts with the Central Bank of Iceland

Article 1

Current accounts of financial undertakings

The following financial undertakings may apply to hold a current account in Icelandic krónur with the Central Bank of Iceland.

1. Domestic financial undertakings (credit institutions) that have been granted an operating licence pursuant to Article 4, Paragraph 1, Items 1, 2, and 3 of the Act on Financial Undertakings, no. 161/2002.
2. Branches of foreign financial undertakings that are established and hold an operating licence corresponding to that in item 1 in another member state of the European Economic Area, in Switzerland, or in the Faeroe Islands, and operate in Iceland, cf. Article 31 of the Act on Financial Undertakings, no. 161/2002.
3. Branches of foreign financial undertakings that are established in a country outside the European Economic Area and have been authorised by the Central Bank Financial Supervisory Authority, pursuant to Article 33 of Act no. 161/2002, to operate a branch in Iceland, provided that the undertaking concerned is authorised to pursue activities in its home state parallel to those provided for in Article 4, Paragraph 1, Items 1, 2 and 3 of the same Act, that the activities that the undertaking proposes to pursue in Iceland are comparable, and that its activities in its home state are subject to supervision comparable to that provided for in Act no. 87/1998.

Financial undertakings subject to minimum reserve requirements (credit institutions) shall deposit their reserve requirements according to the Central Bank of Iceland Rules on Minimum Reserve Requirements to their current accounts.

The current account is also the principal account used to execute payments and settlement pursuant to the Rules on the Central Bank of Iceland Interbank Payment System.

Article 2

Establishment and use of financial undertakings' current accounts

The establishment of a current account with the Central Bank of Iceland is subject to the requirement that it coincide with the Bank's objectives and tasks as defined in the Act on the Central Bank of Iceland, no. 92/2019. To this end, the following requirements must be satisfied:

1. The required licences pursuant to Act no. 161/2002 have been obtained.
2. Branches of foreign financial undertakings are subject to a financial supervisory authority in the European Economic Area or, in the case of a financial undertaking from outside the European Economic Area, a comparable supervisory authority.
3. The requirements concerning capital ratio and liquidity ratio are satisfied, in the Central Bank's opinion.
4. The financial undertaking has adopted written rules and maintains internal controls aimed to prevent its operations from being used for money laundering or terrorist financing; cf. the provisions of the Act on Measures Against Money Laundering and Terrorist Financing, no. 140/2018. Branches of foreign financial undertakings outside the European Economic Area shall demonstrate that the undertaking's internal controls aimed at preventing money laundering and terrorist financing are parallel to or comparable to those provided for in Act no. 140/2018.
5. The financial undertaking must be, in the Central Bank's opinion, an active participant in the transmission of the Bank's monetary policy, such as by offering deposits and loans to households and businesses, and it must adhere to the Bank's

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objective of promoting price stability through monetary policy and monetary policy conduct.

6. The financial undertaking's activities may not, in the opinion of the Central Bank, disrupt financial stability or work in other respects against sound and secure financial activities.
7. The financial undertaking's activities may not, in the opinion of the Central Bank, disrupt the performance of the Bank's legally mandated tasks.

With reference to the requirements laid down in Paragraph 1, Items 5 and 6, the share of customer deposits that may be held in a current account or term deposits with the Central Bank may not exceed 40%. Under extraordinary circumstances, it is permissible to deviate from the requirement in the first sentence, subject to prior approval from the Central Bank.

The Central Bank may examine at any time whether the requirements laid down in Paragraphs 1 and 2 are satisfied and, to this end, may call for necessary documents and information from the financial undertaking concerned.

Article 3

Interest on financial undertakings' deposits

Current accounts with the Central Bank of Iceland facilities bear interest in accordance with the Bank's interest rate announcements, which are published on its website. Concerning the determination of interest rates, reference is made to Article 8 of the Rules on Central Bank of Iceland Facilities for Financial Undertakings.

Article 4

Overdrafts on a financial undertaking's current account

It is prohibited to overdraw a current account.

Notwithstanding the provisions of Paragraph 1, financial undertakings that are participants in the Central Bank's real-time gross settlement system may be granted authorisation to overdraw their current account in connection with real-time gross settlement system settlement, subject to a written contract and the provision of sufficient collateral deemed eligible by the Central Bank pursuant to the Rules on the Central Bank of Iceland Real-Time Gross Settlement System. An overdraft may only be made on an intraday basis, during the opening hours of the real-time gross settlement system.

Under extraordinary circumstances, a participant in the Central Bank's real-time gross settlement system may request an increase in its intraday overdraft authorisation during the operating hours of the real-time gross settlement system according to Paragraph 2, subject to the provision of collateral deemed eligible by the Central Bank. The authorisation remains valid from the time it is approved by the Central Bank until the closure of the real-time gross settlement system. The undertaking concerned shall pay a separate fee, specified in the Central Bank tariff, for the overdraft authorisation.

Article 5

Closure of a financial undertaking's current account and the Central Bank's right to realise collateral

The Central Bank may close an account in the event of an unauthorised overdraft if the requirements laid down in Article 2 are not satisfied.

The Central Bank may redeem collateral for the settlement of an unauthorised overdraft in any manner that it chooses, without special notice and without action by the authorities. The Central Bank shall decide at its own discretion whether all of the collateral that has been provided shall be redeemed, or only part of it, and if so, in which order this is done.

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Article 6

Treasury current accounts

Government-owned funds and institutions falling under Part A of the Government accounts, cf. Article 50 of the Act on Public Finances, no. 123/2015, may hold current accounts with the Central Bank.

Article 7

Interest on Government entities' deposits, etc.

The interest rate on current account balances is the same as that on financial undertakings' current accounts with the Central Bank.

It is prohibited to overdraw a current account.

Article 8

Entry into effect

These Rules, which are set with reference to Article 18, Paragraph 3 and Article 46, Paragraph 2 of the Act on the Central Bank of Iceland, no. 92/2019, shall take effect immediately. At the same time, the Rules on Central Bank Facilities for Credit Institutions, no. 540/2007, are abrogated.

Temporary provision

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Notwithstanding the provisions of Article 2, Paragraph 2, financial undertakings that hold current accounts with the Central Bank of Iceland upon the entry into effect of these Rules shall be granted until 1 June 2022 to satisfy the requirements laid down in that provision.

Reykjavík, 14 January 2022

Central Bank of Iceland

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