

This is an English translation dated 12 January 2016.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Act no. 88/2009 on Icelandic State Financial Investments

Passed 11 August 2009 and entered into effect on 20 August 2009. Amended with Act. no. 84/2011 (entered into effect 30 June 2011 except Article 1 and item c Article 14 that entered into effect 1 September 2012) and Act. no. 126/2011 (entered into effect 30 September 2011).

If a Minister or Ministry is mentioned in this Act without specifying the area of competence or reference is made thereto, it refers to the **Minister of Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which governs this Act.

■ **Article 1**

Objectives and scope

- Icelandic State Financial Investments (hereinafter referred to as “ISFI”) is a separate state body under the Minister.
- ISFI manages the state’s holdings in financial undertakings in accordance with applicable law, good administrative and business practices and the state’s ownership policy, and provides them with capital on behalf of the state based on authorisation in the general budget.
- ISFI shall in its activities put emphasis on revival and reconstruction of a strong domestic financial market and promote active and normal competition on that market, ensure transparency in all decision-making concerning the state’s participation in financial activities and ensure active information disclosure to the general public.
- ISFI is authorised to establish and manage holdings of the state in undertakings in accordance with its role and objectives.

■ **Article 2**

Board of directors

- ISFI shall be administered by a three-member board of directors appointed by the Minister. One alternate director shall be appointed in the same manner. Directors shall fulfil the eligibility criteria set forth in Article 6. The Minister shall appoint the chairman and vice-chairman and determine the remuneration of directors.
- The role of the board of directors is to shape priorities in the work and monitor the activities and operation of ISFI. All major decisions shall be submitted in written form to the board of directors for approval or rejection.
- Should the Minister decide, in exceptional circumstances, to issue instructions to the board of directors of ISFI, the board of directors may express its opinion of these instructions to the Minister before complying with them. The Economic Affairs and Trade Committee of Althingi shall be informed of the Minister’s instructions and the board of directors’ opinion as soon as possible.

■ Article 3

The director general

- The director general of ISFI is appointed by the board of directors. The director general must fulfil the eligibility criteria set forth in Article 6. The Senior Civil Servants' Salary Board shall determine the director general's remuneration and the board of directors shall prepare the job description.
- The director general shall shape ISFI's main priorities, tasks and establish protocols and manage its day-to-day activities, as well hiring personnel. The director general shall be responsible to the board of directors regarding ISFI's activities and operations.

■ Article 4

Mandated activities

- The mandated activities of ISFI are:
 - a) To manage the state's holdings in companies and undertakings, cf. Article 1.
 - b) To administer the state's communication with financial undertakings in which it has a holding with regard to its ownership role. Such communication shall be through the boards of banks and financial undertakings.
 - c) To oversee the execution of the state's ownership policy, as applicable at any time.
 - d) To exercise the Treasury's voting rights at shareholders' meetings of financial undertakings and at meetings of capital owners in savings banks.
 - e) To conclude agreements with boards of directors of financial undertakings concerned with regard to, for example, equity contributions and the specific and general objectives of their operations. ISFI sets conditions that it considers necessary regarding equity capital contributions. Summaries of such agreements shall be made public 12 months after their conclusion.
 - f) To monitor that the objectives set out in agreements are achieved.
 - g) To make proposals to the Minister regarding additional funding of financial undertakings in accordance with the ISFI's role and objectives.
 - h) To assess and establish conditions for the restructuring and mergers of financial undertakings having regard to the role and objectives of ISFI and the state's ownership policy.
 - i) To make proposals to the Minister as to whether and when specific holdings in financial undertakings should be offered for public sale, having regard to the objectives of ISFI, cf. paragraph 3 of Article 1, and in accordance with applicable laws and the objective of dispersed ownership.
 - j) To prepare and commission proposals for a sale of the state's holdings in financial undertakings.

■ Article 5

Competition considerations

- ISFI shall in its activities and in the management of state holdings make every effort to promote active and strengthen competition in the financial market, by i.e. promoting robust and effective competition between financial undertakings owned by the state.
- In its activities, ISFI shall take the utmost care to ensure that any confidential information on the operation and activities of individual financial undertakings, which it becomes aware of, is not passed on to other financial undertakings.

■ Article 6

Eligibility

- Members of the board of directors and director general shall have suitable education and specialised expertise in banking and financial matters. Care shall be taken in the appointment of the board of directors to ensure that the professional experience and education of its members is diverse in this field and that they have a sound knowledge of good corporate governance.
- The members of the board of directors and the director general must be legally competent. They may not, during the last five years, have been declared bankrupt or been convicted of an offence in connection with business operations, punishable under the Penal Code, the Competition Act, the Act on Financial Undertakings, the Act on Public Limited Companies and Private Limited Companies, Act on Accounting, Act on Bankruptcy etc. or under special legislation applicable to parties subject to official supervision of financial activities.
- Members of the board of the directors and the director general shall neither participate in the handling of affairs in which they have considerable interests to safeguard nor affairs to which they are personally or financially connected.

■ Article 7

Selection committee

- The board of directors of ISFI shall appoint a special three-member selection committee which, on behalf of the state, nominates members to the boards of banks or companies under the management of ISFI. The selection committee shall ensure that about an equal number of men and women are board members of banks and companies. ISFI shall formally request nomination of the selection committee for board members before the election of directors to respective bank boards or company boards.
- The board of directors of ISFI shall establish rules of procedure for the committee where the criteria used by the committee in its assessment of qualifications, education and experience of individuals being considered for board membership is defined. These rules of procedure shall be made public on the website of ISFI.
- The committee shall meet as often as deemed necessary and the Minister shall determine the remuneration of committee members.
- It is possible to stand as candidate for selection to banks boards and company boards by submitting to the committee curriculum vitae.

■ Article 8

Reporting

- ISFI shall deliver a detailed report on its activities to the Minister by 1 June each year. Thereafter, the Minister shall present an account of ISFI's activities to Althingi and performance in relation to the management of the state's holdings and the government's future priorities for them.

■ Article 9

Cessation of activities

- ISFI shall have ceased its activities no later than five years from its establishment and will then be closed.

■ Article 10

Entry into force

- This Act enters immediately into effect.

Temporary Provisions

■ I.

Notwithstanding paragraph 2 of Article 1, the Minister may provide commercial banks and savings banks with equity to meet minimum equity capital requirements without the intermediation of ISFI if ISFI is not yet fully operational. Should the Minister utilise such authorisation, the equity contribution must be subject to suitable conditions, cf. subparagraph e) of Article 4. The right of ISFI to set additional conditions, to alter the terms and conditions of agreements and to obtain information to monitor the performance of financial institutions shall be included in such conditions. Further equity contributions and final financing shall be ISFI's tasks.

■ II.

Notwithstanding Article 8, ISFI shall submit a detailed report on its activities for the first time before 1 November 2009. Thereafter, the Minister shall present an account of ISFI's activities to Althingi and performance in relation to the management of the state's holdings and the government's future priorities for them.