Act on measures against money laundering and terrorist financing, No. 64/2006


If in this Act ‘the minister’ or ‘the ministry’ is mentioned without further definition of, or reference to, the portfolio involved, this is a reference to the Minister of the Interior or the Ministry of the Interior, as they are responsible for the application of this Act. Information on the responsibilities of the government ministries, as determined by Presidential decrees, can be found here.

CHAPTER I
General Provisions

Article 1

Objective

The purpose of this Act is to prevent money laundering and terrorist financing by imposing on parties engaging in activities which may be used for the purposes of money laundering and terrorist financing the obligation to obtain knowledge of their customers and their business activities and report to the competent authorities any knowledge of such illegal activities.

Article 2

Source: https://www.government.is
**Scope**

The Act covers the following parties:

a. Financial undertakings pursuant to the definition in the Act on Financial Undertakings.

b. Life insurance companies and pension funds.

c. Insurance brokers and insurance intermediaries pursuant to the legislation on insurance brokerage when they broker life insurance or other savings-related insurance ...

1)

b. [Branches of foreign undertakings located in Iceland and falling within the scope of subsections (a)-(c) and subsections (m)-(n)].

2)

3)

d. Natural or legal persons which, by way of business, engage in foreign exchange trading or the transfer of funds and other assets.

f. Attorneys and other legal professionals in the following instances:
   i. When they manage or represent their clients in any form of financial or real estate dealings.
   ii. When they assist in the organisation or conduct of business for their clients with respect to the purchase and sale of real estate or enterprises, manage cash, securities or other assets of their clients, open or manage commercial bank accounts, savings bank accounts or securities accounts, arrange financing needed for the establishment, operation or management of enterprises or establish, operate or manage custody accounts, enterprises and similar entities.

g. Auditors.

h. ...  

i. Brokers of real estate, enterprises or vessels.

j. Natural or legal persons engaged, by way of business, in trading in goods for payment in cash in the amount of EUR 15,000 or more, based on the officially posted exchange rate at any given time, whether the transaction is executed in a single operation or in several operations which appear to be linked.

k. [Trust and company service providers, as defined in Article 3.]

l. Legal or natural persons who have been granted an operating licence on the basis of the Lotteries Act, and parties permitted under special legislation to conduct fund-raising activities or lotteries where prizes are paid out in cash.

[m. [Payment institutions and their agents pursuant to the Act on payment services.]

[n. Electronic money institutions according to the Issue and Handling of Electronic Money Act.]

Source: https://www.government.is
The Financial Supervisory Authority may decide that parties falling within the scope of [subsections (a)-(e) [and subsections (m) and (n)]\(^1\) of the first paragraph\(^3\) and engaging in financial activities on an occasional or very limited basis, and where there is little risk of money laundering or terrorist financing, should be exempt from the provisions of this Act.

All those to whom the provisions of this Act apply shall be obliged to provide all the assistance necessary to ensure that the provisions of the Act may be enforced.


Article 3

Definitions

For the purpose of this Act the following definitions shall apply:

1. **Money laundering**: Actions by which a natural or legal person accepts or acquires, either for itself or others, proceeds by means of a violation punishable under the General Penal Code or other statutory law. The term shall also apply to actions by which a natural or legal person undertakes to convert such proceeds, transfer them, safeguard them, assist in their delivery, conceal them or information on their origin, nature, location, disposal or transfer, or promotes by other comparable means the achievement for others of the proceeds from such punishable violations.]\(^1\)

2. **Terrorist financing**: The collection of funds with the intention that they should be used or in the knowledge that they are to be used for the purpose of carrying out an offence which is punishable [pursuant to subsections (a)–(c) of Article 100]\(^1\) of the General Penal Code.

3. **Proceeds**: any kind of profit and assets of any kind, including documents intended to entitle the bearer to access to assets or other rights of a financial value.
4. **Beneficial owner**: The natural person or persons who ultimately own or control the customer, legal person or natural person on whose behalf a transaction or activity is being conducted or carried out.\(^2\) A beneficial owner may include:

a. The natural person or persons who ultimately own or control a legal person through direct or indirect ownership of more than a 25% share in the legal person or control more than 25% of the voting rights or are deemed to exercise control by other means of the legal person. However, the provision does not apply to legal persons listed on a regulated market pursuant to the definition in the [Stock Exchange Act].\(^1\)

b. The natural person or persons who are the future owners of 25% or more of the assets of a trust or a similar legal arrangement or who control more than 25% of its assets. Where the individuals who benefit from such trust have yet to be determined, the beneficiary is the person or persons in whose interest the fund is set up or operates.

5. **Persons under obligation to report**: Persons listed in the first paragraph of Article 2.

6. **Trust and company service provider**:\(^3\) Natural or legal person providing, by way of business, the following services:

a. Forming companies or other legal persons.

b. Acting as, or arranging for another person to act as, director or executive of an undertaking, as partner in a company or serve in a comparable position in another form of legal person.

c. Providing a domicile or other registered address which is used in a similar manner to contact the undertaking, or other related services.

d. Acting as, or arranging for another person to act as, a trustee of a trust or a similar legal arrangement.

e. Acting as, or arranging for another person to act as, a nominee shareholder for another person other than a company listed on a regulated market.

[f. Tax advice.\(^3\)]

7. **Money exchange service**: A business organisation which, in the way of business, engages in buying and selling domestic and foreign currency.

8. **Money or value transfer service**: A business organisation which, in the way of business, accepts cash, cheques or other assets which are the equivalent of cash and the value is paid out to a recipient at another location in cash or cash equivalents with the aid of any kind of message or transfer or through a
payment system to which the money transmission service is a party [and which is not subject to specific legislation.] A transfer handled by a money transmission service can pass through the hands of one or more intermediaries before the final payment to the recipient takes place.)

9. [Approved identification documents: Valid identification documents issued or approved by the government. Valid identification documents include passports, driving licences, identity papers issued by the National Registry and electronic authentication documents containing qualified electronic certificates preserved in a secure signature creation device, as provided in Chapters III and IV of the Electronic Signatures Act.]

[10. Transfer of funds: Any type of movement of funds by electronic means via the payment systems of parties referred to in subsections (a), (m) and (n) of the first paragraph of Article 2, domestically or across borders, which is effected by a payer, which may be a natural or a legal person, and which is intended to give the recipient access to the funds. The recipient may be the same party as the payer.]
transaction is carried out in a single operation or in several operations which appear to be linked.

d. When there is a suspicion of money laundering or terrorist financing, regardless of any exemption or threshold.

e. When there are doubts about the veracity or adequacy of previously obtained customer identification data.

[f. When a transfer of funds takes place, in the case of a single transaction, whether the movement of the funds is domestic or across borders, amounting to ISK 150,000 or more based on the official reference exchange rate as posted at any given time.]

Persons under obligation to report pursuant to this Act shall not be obliged to carry out customer due diligence in accordance with the provisions of this Chapter in cases involving the transfer of funds by payment cards, mobile phones or any comparable digital equipment or IT equipment, when the following conditions are met:

1. the card or equipment is used solely to pay for goods or services, and
2. the card number or the number of the item of equipment is included in all transaction records resulting from the transaction.]


Article 5

[Performing customer due diligence]

[Prior to the establishment of a business relationship, or prior to a business transaction, a party under obligation to report shall require the new customer to prove his/her identity as follows:

a. [Natural persons: by the presentation of approved personal identification documents.]

 b. Legal persons: by the submission of a certificate from the register of undertakings of the Directorate of Internal Revenue, or a comparable public agency, with the name, domicile and official registration number or comparable information. Holders of powers of procuration and other parties specifically authorised to represent a customer vis-à-vis a financial undertaking, including managing directors

Source: https://www.government.is
and members of the board of directors, shall prove their identity. Furthermore, such parties shall demonstrate that their power of procuration or specific authorisation has been duly obtained.

[Persons under obligation to report shall always obtain adequate information about the beneficiary owner (cf. Point 4 of Article 3) and take lawful measures to confirm his or her identity. Persons under obligation to report shall assess independently whether information about the beneficiary owner is correct and satisfactory and whether he or she understands the ownership and administrative structure of those customers that are legal persons. In cases where it is not clear from the materials submitted who the final recipient of the funds will be, further information on this shall be demanded. In cases where it is not clear from the materials submitted who the beneficiary owner is, the party under obligation to report shall demand further information. If it is not possible to find the beneficiary owner, e.g. because the ownership is so widely dispersed that no individuals own or direct the customer in the sense of this Act, the party under obligation to report shall take lawful measures to acquire satisfactory information about the individuals who in fact direct the customer's activities.]^{3)}^{1)}

Information shall be obtained from the prospective customer concerning the purpose of the intended transaction.

[Parties under obligation to report shall require existing customers to prove their identity pursuant to the first paragraph [and obtain information on beneficiary owners pursuant to the second paragraph]^{4)} if they have not already done so.]^{1)}

If a natural person, or the employee of a person under obligation to report, is aware, or has reason to believe, that certain business is being conducted for the benefit of a third party, the customer shall, in accordance with subsections (a) and (b) of the first paragraph, be required to produce information concerning the identity of the third party.

Persons under obligation to report shall [preserve copies]^{1)} of personal identification documents and other required documents or adequate information from the documents, for a minimum of five years [from the time that the business relationship ended or from the time of the transaction].^{1)}


Article 6

Regular surveillance by persons under obligation to report.

Source: https://www.government.is
[Persons under obligation to report shall carry out regular monitoring of their business relationships with their customers. They shall obtain satisfactory information and take lawful measures to verify it in order to ensure that their transactions are consistent with the available information, e.g. by scrutiny of the transactions undertaken throughout the course of the contractual relationship.]\(^1\) Information on customers shall be updated and further information obtained in accordance with this Act as needed.

\(^1\)L. 6/2016, 5. gr.

Article 7

Risk assessment

Persons under obligation to report are permitted to implement the provisions of Articles 5 and 6 and the provisions of Chapters III and IV on a risk-sensitive basis, where the extent of information gathering and other measures pursuant to this Act in respect of each customer is based on an assessment of the risk of money laundering and terrorist financing. In the event of persons exercising such permission they shall establish rules on the conduct of the risk assessment, and the persons specified in subsections (a)-(d) in the first paragraph of Article 2 shall be required to obtain the approval of the Financial Supervisory Authority for the rules, and the parties specified in subsections (e)-(l) in the first paragraph of Article 2 shall be required to have the rules approved by the police authorities.

[In addition to the instances referred to in Chapter III, concerning enhanced customer due diligence requirements, persons under the obligation to report shall at all times be required to subject customers to enhanced customer due diligence in circumstances which by their nature increase the risk of money laundering or terrorist financing, based on risk assessment. In such circumstances, additional information shall be obtained on the customer at the time of establishment of a contractual relationship or prior to performing a business transaction, and the requirement shall be made that the first transfer should be made in the name of the customer in question and from an account established by himself in a functioning credit undertaking.]\(^1\)

\(^1\)L. 116/2009, 4. gr.

Article 8

Source: [https://www.government.is](https://www.government.is)
[Temporarily postponement of verification of information gathered on customers.]¹)

New customers shall prove their identity pursuant to Article 5 before a contractual relationship is established. However, in order not to interrupt the normal conduct of business this may be postponed until a contractual relationship has been established in cases where little risk is perceived of money laundering or terrorist financing occurring. In such an event, customers shall prove their identity as soon as practicable.

A bank account may be opened for a customer even if the conditions of the first paragraph have not been met provided that no transactions are carried in respect of the customer until he/she has proven his/her identity pursuant to Article 5.

Notwithstanding the provisions of the first paragraph, it shall be permitted, in relation to life insurance business, to allow the verification of the identity of the beneficiary under the policy to take place after the business relationship has been established. In such an event, verification shall take place no later than at the time of payout or before the time the beneficiary intends to exercise rights vested under the policy.

¹)L. 77/2008, 5. gr.

Article 9

Non-compliance with conditions of customer due diligence.

If it has not proved possible to comply with the conditions of the first and second paragraphs of Article 5, the conduct of a business transaction or establishment of contractual relations with the person in question shall be prohibited. [If a business relationship has already been established it shall be terminated immediately.]¹) Consideration should also be given to notification of the police pursuant to Article 17.

The first paragraph shall not apply to the work of legal professionals who are in the course of ascertaining the legal position of a client or performing their task of defending or representing that client in, or concerning, judicial proceedings, including advice on instituting or avoiding proceedings.

¹)L. 77/2008, 6. gr.
CHAPTER III
Enhanced customer due diligence requirements

Article 10

Distance selling.

At the start of a distance selling transaction, the establishment of contracts through the use of telecommunication or comparable methods, where the customer is not present to prove his/her identity, additional information is to be obtained about the customer ... ¹ and it shall be required that the first payment be made in the name of the customer and through an account established by the customer in a credit institution.

In the rules that persons under obligation to report are required to establish concerning internal control of business activities pursuant to the first paragraph of Article 23, more detailed provisions shall be established, where appropriate, concerning business using telecommunication and the preservation of data concerning such business.

¹L. 77/2008, 7. gr.

Article 11

Correspondent banking.

In cross-border correspondent banking business with parties from countries outside the European Economic Area, credit institutions which are subject to this Act shall comply with the following conditions:

a. gather sufficient information about the respondent’s business and determine from publicly available information the reputation of the institution and verify the quality of supervision;

b. assess and ascertain the respondent’s anti-money-laundering and anti-terrorist-financing controls;

c. obtain approval from senior management before establishing new correspondent banking relationships;

d. document the respective responsibilities of each institution pursuant to this Act, and

e. with respect to payable-through accounts, be satisfied that the respondent [has complied with the conditions of the first and second paragraphs of Article 5 on customer due diligence and conduct ongoing customer due diligence], having direct

Source: https://www.goveminent.is
access to accounts of credit institutions which are subject to this Act, and be able to provide relevant information concerning the customer upon request.

\[L. 77/2008, 8. gr.\]

**Article 12**

**[Politically exposed persons.]**

In respect of contractual relationships or business transactions with politically exposed natural persons residing in another country, persons under obligation to report pursuant to this Act shall comply with the following requirements, in addition to the conditions of Chapter II:

- a. determine whether the customer is a politically exposed person, which includes natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

- b. obtain senior management approval before entering into business transactions with such customers;

- c. take appropriate measures to verify the source of funds that are involved in the business relationship or transaction;

- d. conduct regular monitoring of the business relationship.

[If a customer's status changes, after a contractual relationship has been established, so that the customer becomes a politically exposed person, the first paragraph shall also apply. Senior managerial approval shall be obtained pursuant to subsection (b) of the first paragraph before the business relationship with such customers is continued.]

\[L. 77/2008, 9. gr.\]

**Article 13**

**Correspondent banking business with shell banks.**

Credit institutions falling within the scope of this Act are prohibited from entering into or continuing a correspondent banking relationship with a credit institution or another party engaged in similar business activities which is established within a jurisdiction where it has no real business activities or management and which is not related to a financial consolidation that is subject to regulation. Such

Source: https://www.government.is
institutions are also prohibited from engaging in correspondent banking business with banks which permit such credit institutions to use their accounts.

Article 14

Business anonymity.

Parties under obligation to report shall show special caution in the case of new technology, products or transactions that might favour anonymity, and shall ... ¹) take measures to prevent the use of such business for money laundering or terrorist financing purposes.

¹) L. 77/2008, 10. gr.

CHAPTER IV

[Simplified customer due diligence.] ¹)


Article 15

[Customers subject to simplified due diligence.]

When a party under obligation to report has obtained sufficient information that a customer falls into one of the categories below, simplified due diligence may be applied:

a. [Legal persons falling within the scope of subsection (a) of the first paragraph of Article 2, life insurance companies and corresponding legal persons holding a licence to operate in the European Economic Area (EEA) [and subject to requirements similar to those made in this Act].] ¹)²) The same applies to regulated credit or financial undertakings from countries outside the EEA which are subject to requirements similar to those made in this Act.

b. Companies listed on a regulated market, as defined in the Stock Exchange Act.

c. Icelandic government authorities.

The provisions of Articles 5 and 6 do not apply to simplified due diligence. However, a record shall at all times be made of the name, ID number and address of

Source: https://www.government.is
a natural person or legal person.\textsuperscript{3)}


\section*{[Article 15 a]}

\textit{Circumstances in which simplified due diligence may be applied.}

Simplified due diligence (cf. the second paragraph of Article 15), is permitted in the following circumstances:

1. When it is established that a payment for a transaction is to be debited from an account opened in a customer's name in an operating financial undertaking or a similar legal person licensed to operate within the European Economic Area, unless there is suspicion that the transaction is connected with money laundering or terrorist financing.

2. When drawing up a life insurance contract with a financial institution which is licensed to operate in the European Economic Area, provided that the annual premium to be paid by a customer from the European Economic Area does not exceed EUR 1,000, based on the official exchange rate as posted at any given time, or in case of a single payment of a premium, it does not exceed EUR 2,500, based on the official exchange rate as posted at any given time. If an annual premium is increased so that it exceeds EUR 1,000, based on the official exchange rate as posted at any given time, the presentation of personal identification shall be required (cf. Article 5).

3. When electronic money is issued, in the sense of the Issue and Handling of Electronic Money Act, and the amount of electronic money stored in a device does not exceed EUR 500 in the case of a device that cannot be recharged and is used solely for payment within the same country, or the total amount of electronic money stored in a device does not exceed EUR 2,500 in a calendar year in the case of a rechargeable device, except when the bearer redeems electronic money for an amount greater than EUR 1,000 within the same calendar year.]\textsuperscript{1)}\textsuperscript{2)}


\section*{Article 16}

\textit{Third party information.}

Source: \url{https://www.government.is}
A party under obligation to report is not required, [before business is commenced,]¹ to conduct customer due diligence pursuant to the first, second and third paragraphs of Article 5 if corresponding due diligence data is revealed through the agency of a [payment institution],²[electronic money institution]³ or a corresponding legal person which has been granted an operating licence in the European Economic Area. The same applies to information revealed through the agency of regulated credit or financial institutions from countries outside the European Economic Area which are subject to requirements similar to those stated in this Act. Final responsibility as regards customer due diligence pursuant to the first, second and third paragraphs of Article 5 rests with the recipient of the information. [Prior to obtaining information, a party under obligation to report shall attempt to ensure that the third party meets requirements similar to those made in this Act and is subject to surveillance similar to that to which Icelandic financial undertakings are subject.]¹

A third party providing information pursuant to the first paragraph shall, at the request of the recipient of the information, make the information available without delay or forward a copy of the appropriate personal data and other appropriate documents proving the identity of the customer or the beneficial owner. [A party under obligation to report shall ensure that the third party complies with this obligation and shall enter into a written agreement, providing in greater detail how the providing of information shall be executed.]¹


CHAPTER V
Reporting obligation and other obligations.

Article 17

General obligation to report.

Persons under obligation to report are required to have all transactions and [proposed transactions]¹ suspected of being traceable to money laundering or terrorist financing carefully examined and to notify the police of transactions which are considered to have any such links. This applies in particular to transactions which are unusual, large or complex in the light of the normal business of the customer, or which have no apparent economic or visible lawful purpose. [The background and purpose of such transactions shall be examined, to the extent possible.]¹

Source: https://www.government.is
[At the written request of police who receive notifications of money laundering or terrorist financing and investigate them, persons under obligation to report shall provide all the information considered necessary for the investigation.]²)

The first paragraph shall not apply to information obtained by legal professionals in the course of ascertaining the legal position of their client, including advice on instituting or avoiding proceedings, or information obtained before, during or after the conclusion of judicial proceedings, if the information is directly related to such proceedings. The same applies to information that parties pursuant to subsection [(g) of the first paragraph of Article 2 obtain and those referred to in subsection (k) of the same paragraph when they provide services pursuant to subsection (f) of Point 6 of Article 3]³) when they provide expert advice to a legal professional before, during or after the conclusion of judicial proceedings.


Article 18

Obligation to avoid executing a transaction.

Parties shall avoid executing a transaction when there is an awareness or suspicion that the transaction can be traced to money laundering or terrorist financing. Such transactions shall be reported to the police and the report shall include information on the time limits within which the person under obligation to report is required to carry out the transaction. If such a transaction cannot be prevented, or if its suspension could hinder the prosecution of parties benefiting from it, the police shall be notified of the transaction as soon as it has been completed.

Article 19

Processing of reports, etc.

The police shall confirm the receipt of notifications pursuant to Articles 17 and 18 in writing. The police may, in cases of urgency, request that transactions reported in accordance with Articles 17 and 18 are not executed until the conclusion of the time limit specified in the notification. The police shall promptly inform the reporting party if it is the opinion of the police that obstruction of the transaction is not needed.

Further provisions on the receipt of reports, analysis and dissemination of
information on potential money laundering shall be laid down in a regulation\(^1\) issued by the [minister in charge of police affairs and law-enforcement]\(^2\).

\(^1\)Rg. 175/2016. \(^2\)L. 126/2011, 431. gr.

**Article 20**

*Prohibition of disclosure.*

Persons under obligation to report and their directors and employees and others working in their interest shall ensure that the customer concerned or other third persons are not made aware that information has been imparted to the police in accordance with Articles 17 and 18 or that a money laundering or terrorist financing investigation is being, or may be, carried out.

Without prejudice to the first paragraph, the disclosure of the above information is permitted to the following parties:

a. The Financial Supervisory Authority.

b. Within a consolidation as defined in the Annual Accounts Act.

c. Between parties referred to in subsections (f) and (g) of the first paragraph of Article 2, who are discharging their duties within the same legal person or same network of enterprises.

d. Between parties referred to in subsections (a) to (g) in the first paragraph of Article 2, provided that the following conditions are met:

1. both parties belong to the same professional category;

2. the case concerns a natural or legal person who is a customer of both parties;

3. the information concerns transactions relating to both parties;

4. both parties are subject to equivalent obligations as regards professional secrecy and personal data protection; and

5. the information is used exclusively for the purposes of the prevention of money laundering and terrorist financing.

Information pursuant to the second paragraph may only be disclosed to a natural or legal person domiciled outside the European Economic Area if the natural or legal person is subject to rules similar to those laid down in this Act concerning

Source: https://www.government.is
measures against money laundering and terrorist financing.

Parties referred to in subsections (f) and (g) of the first paragraph of Article 2 who advise their customers to refrain from participating in illegal activities shall not be regarded as having violated the first Paragraph on the prohibition of disclosure.

Article 21

*Exemption from the non-disclosure obligation.*

The disclosure in good faith of information pursuant to this Act to the police by a person under obligation to report shall not constitute a breach of any non-disclosure obligation to which the person is bound by law or other means. The provision of such information shall not make the natural or legal persons or their employees criminally liable or liable for civil damages.

Article 22

*Designation of person responsible.*

Persons under obligation to report are responsible for compliance with this Act and rules and regulations issued pursuant to this Act. They shall nominate a specific person of managerial rank to be generally responsible for notification pursuant to Articles 17 and 18 and [who has unconditional access to customer due diligence information, transactions or requests for transactions, together with any documents which may be relevant to notifications].

1) The police shall be informed of the nomination of such responsible person. [The person responsible shall ensure the development of co-ordinated practices which support the sound implementation of this Act.]

1) *L. 77/2008, 16. gr.*

Article 23

*Internal monitoring, etc.*

Persons under obligation to report are required to establish written internal rules and maintain internal controls designed to prevent their business activities from being used for money laundering and terrorist financing. [Such rules shall, *inter alia*, address customer due diligence, the obligation to report, preservation of documents and business transactions requiring special caution.]

Source: [https://www.government.is](https://www.government.is)
[Persons under obligation to report shall ensure that their employees receive special training in measures against money laundering and terrorist financing. The training shall both take place when employment commences and on a regular basis during the term of employment, in order to ensure that employees are aware of the duties of persons under the obligation to report pursuant to this Act, customer due diligence and the obligation to report. Furthermore, they shall be supplied with information on current trends in the field and the latest methods in money laundering and terrorist financing.]\(^1\) [If a natural person engages in expert work as a paid employee for a person under the obligation to report, the obligations provided for in the Article shall apply to the person under the obligation to report and not to the paid employee.]\(^2\)

Legal persons under obligation to report are required to prepare written reports on all suspicious and unusual records that occur in the course of effecting transactions in their business activities. The preservation of such information is subject to the provisions of the fourth paragraph of Article 5.

Legal persons listed in the first paragraph of Article 2 shall have systems in place which enable them to respond promptly to queries from the police or other competent authorities. The preservation of such information, including information on individual customer transactions, is subject to the provisions of the fourth paragraph of Article 5.

Legal persons listed in the first paragraph of Article 2 are required, when engaging staff, to establish specific rules on the checks to be performed of the records applicants for positions with the undertakings and in what instances transcripts from applicants' judicial records or other comparable testimonials regarding their careers and previous employment shall be required.


**Article 24**

*Branches and subsidiaries in states outside the European Economic Area*

The persons listed in subsections (a)-(c) of the first paragraph of Article 2 shall ensure that their branches and subsidiaries in states outside the European Economic Area take comparable measures as regards due diligence concerning information on their customers as provided for in this Act, or as closely similar measures as the legislation of the state in question will permit.

If the legislation of a state outside the EEA where a branch or subsidiary is
located does not permit the application of such equivalent due diligence concerning customer information as provided for in this Act, the party in question shall notify the Financial Supervisory Authority. In addition, the party in question shall ensure that the branch or subsidiary in question responds to the risk of money laundering or terrorist financing by other means. [If, in a foreign state where a branch or a subsidiary is located, the legislation and rules that aim to combat money laundering and terrorist financing are stricter, those rules and legislation shall be observed.]

[The persons listed in subsections (a)-(c) in the first paragraph of Article 2 shall ensure that their branches and subsidiaries in states outside the European Economic Area adopt written internal rules comparable to those required in the first paragraph of Article 23.]


CHAPTER VI
[Surveillance, obligation to register, etc.]


Article 25

[The Financial Supervisory Authority and the Consumer Agency]

The Financial Supervisory Authority shall monitor compliance by the parties specified in subsections [(a)-(e) [and subsections (m) and (n)] of the first paragraph of Article 2.] with the provisions of this Act and rules and regulations issued pursuant to this Act. Such monitoring is subject to legislation on public surveillance of financial activities and such special legislation as may apply to the activities of regulated parties.

The Financial Supervisory Authority may exercise the supervisory measures provided for in the Official Supervision of Financial Operations Act in its supervision pursuant to this Act.

[The Consumer Agency (Neytendastofa) shall monitor that the parties specified in subsection (j) of the first paragraph of Article 2 comply with the provisions of this Act and the rules and regulations issued pursuant to this Act and establish further rules on the conduct of the surveillance.]

[Article 25 a

Registration of money exchange services and money or value transfer services

Natural and legal persons operating money exchange services or money or value transfer services are required to register with the Financial Supervisory Authority.

Financial undertakings as defined in the Financial Undertakings Act (cf. subsection (a) of the first paragraph of Article 2), are exempt from the registration requirement.

The Financial Supervisory Authority shall establish further rules\(^1\) on the implementation of and conditions for registration and on the conduct of business.]\(^2\)


[Article 25 b

The Financial Supervisory Authority shall deny registration pursuant to Article 25(a) if parties which are subject to registration, or their managers or beneficiary owners, have, in the preceding five years, been declared bankrupt, or have been sentenced by a court of law for any criminal act under the General Penal Code, the Competition Act, this Act or legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxes, or any special legislation governing parties who are subject to public surveillance of financial activities.

The Financial Supervisory shall remove a registered party from the register pursuant to Article 25(a) if the conditions in the first paragraph apply to any such party which is subject to registration, its managers or beneficiary owners.]\(^1\)

\(^{1)}\)L. 77/2008, 20. gr.

Article 26

Reports from regulatory bodies

In the event that the Financial Supervisory Authority or other professional bodies responsible for the supervision of persons under obligation to report obtain, in the course of their work, knowledge of business linked with money laundering or terrorist financing or information which is suspected to relate to money laundering or terrorist financing, this shall be reported to police.
The Financial Supervisory Authority shall issue notices and instructions if there is a need for special caution in business transactions with states or regions which do not comply with international recommendations and rules concerning measures against money laundering. Persons under obligation to report are also required to give particular attention to states or regions which do not comply with international recommendations and rules on measures against money laundering.

CHAPTER VII
Penalties
Article 27

Penalties

In the event that a person under obligation to report, by intent or through gross negligence, neglects to conduct due diligence concerning its customers pursuant to Chapters II and III, or neglects the obligation to report or any other obligations pursuant to Chapter V, or neglects the provision of information or assistance, reports or documents as provided for in this Act or rules issued hereunder, the person shall be fined.

[If a person does not comply with the obligation to register pursuant to Article 25(a), continues its business activities despite having been removed from the register of the Financial Supervisory Authority or fails to provide information or assistance as provided for in this Act, the person shall be fined.]¹)

If an infringement of this Act is committed in the course of the business operations of a legal person, and for its benefit, the legal person may be fined irrespective of whether the guilt of its responsible manager or employee has been established. If the responsible manager of a legal entity or its staff member has infringed this Act, the legal entity may also be fined if the infringement was for its benefit.

¹) L. 77/2008, 22. gr.

CHAPTER VIII
Miscellaneous Provisions
Article 28

Authorisation for the issue of regulations
[The minister may issue regulations,\(^1\) containing further provisions on the implementation of this Act, including:

1. as regards the conduct of customer due diligence under Chapter II;
2. as regards enhanced customer due diligence requirements under Chapter III;
3. as regards simplified customer due diligence under Chapter IV;
4. as regards the reporting obligation and other obligations under Chapter V,
5. what information concerning the sender must accompany transfers;
6. special rules concerning notification of transfer to, or for the benefit of, natural or legal persons having links with states or regions which do not have in place adequate rules concerning measures against money laundering and terrorist financing;
7. special rules concerning the prohibition of or restrictions on authorisation of persons under obligation to report to enter into a contractual relationship or effect transfers to natural or legal persons having links with states or regions which do not have in place adequate rules concerning measures against money laundering and terrorist financing;
6. special rules prohibiting persons under the obligation to report from disclosing information to natural or legal persons having links with states or regions which do not have in place rules concerning measures against money laundering and terrorist financing that are comparable to those provided for in this Act.]\(^2\)


**Article 29**

**Implementation.**


\(^1\)L. 41/2012, 7. gr.

Source: [https://www.government.is](https://www.government.is)
Article 30

Commencement

This Act shall enter into force immediately. The provisions of Article 12 shall enter into force on 1 January 2007. ...