Act on measures against Money Laundering and Terrorist Financing
No. 140/2018

Section 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 could be used for money laundering or terrorist financing to know the identity of their customers and their activities and to notify the competent authorities if they have a suspicion of, or knowledge of, such illegal activities

■ **2. gr.** *Scope.*
□ The Act covers the following parties:
a. Financial undertakings pursuant to the definition in the Act on Financial Undertakings.
b. Life insurance companies pursuant to the Act on Insurance Undertaking.
c. Insurance brokers and insurance intermediaries pursuant to the legislation on insurance brokerage when they broker life insurance or other savings-related insurance
d. Payment service providers pursuant to Act on Payment Institutions.
e. Electronic money institutions according to the Issue and Handling of Electronic Money Act.
f. Branches of foreign undertakings that are located in Iceland and falling within the scope of subsections (a)-(e).
g. Agents and distributors of enterprises and of corresponding foreign enterprises with activities in Iceland falling within the scope of subsections (a)-(e).
h. Pension funds pursuant to Act on Mandatory Pension Insurance and on the Activities of Pension funds.
i. Money exchange services, with the exception of those entities to which all of the following conditions apply:
1. currency exchange activities are an ancillary activity directly related to the entity's main activity and are only provided to the entity's customers,
2. total currency exchange turnover amounts to less than ISK 5 million per year, and
3. foreign currency exchanged for a single customer does not amount to more than ISK 100,000, whether the transaction takes place in a single operation or in a number of operations that appear to be linked.
j. providers engaged in exchange services between virtual currencies, electronic currencies and fiat currencies;
k. Custodian wallet providers *cf.* the definition in Article 3.
l. Accounting firms, accountants, tax advisors and persons who provide bookkeeping services for third parties in exchange for a remuneration.
m. Law firms, attorneys and other specialists in the following circumstances:
1. When they manage or represent their clients in any form of financial or real estate dealings.,
2. when they assist with the planning or execution of transactions for their clients regarding the purchase and sale of real estate or enterprises,
3. when they manage their clients' money, securities or other assets,
4. when they open, or supervise, bank, savings or securities accounts,
5. when they are involved in raising, organising or managing contributions in order to create, operate or manage enterprises,
6. when they assist with the creation, operation or management of undertakings, trusts or similar arrangements.

n. Real estate agencies and brokers of real estate, enterprises or vessels.

o. Rental agents, when monthly payments of rent amount to EUR 10,000 or more, based on the official exchange rate listed at any given time.

p. Art dealers or intermediaries, including art galleries and auction houses, when the transactions involved are carried out in a single payment or in several payments which appear to be linked, for EUR 10,000 or more, based on the official exchange rate listed at any given time.

q. Trust or company service providers *cf.* definition in Article 3.

r. Natural or legal persons who, by the way of business, receive payments in cash, whether the transactions involved are carried out in a single payment or in several payments which appear to be linked, for EUR 10,000 or more, based on the official exchange rate listed at any given time.

s. Natural or legal persons who have received operating licences under the Lotteries Act or licences for the operation of collections of funds or lotteries under special legislation.

☐ Derogations may not be made from the provisions of this Act unless otherwise explicitly stated.

■ **Article 3.** *Definitions.*

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

1. *Member State:* A state that is a party to the Agreement on the European Economic Area or a Member State of the Convention Establishing the European Free Trade Association (EFTA) or the Faroe Islands.

2. *Trust and company service provider:* A natural or legal person who provides the following services in return for a remuneration:

a. assistance with the creation of companies or other legal persons,

b. acting as, or arranging for another person to act as, the director or managing director of an undertaking, a partner in a company or serve in a comparable position in another type of legal person,

c. providing a legal domicile, or other registered address which is used in the same manner for the purpose of contacting the undertaking or other related service,

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

3. *Proceeds:* Any type of profit and assets of any kind, including documents intended to entitle the bearer to access assets or other rights of financial value.

4. *Economic purpose:* The reasons behind deposit and withdrawal payments, i.e. the goods or services for which payment is made.

5. *Supervisors:* The Financial Supervisory Authority and the Directorate of Internal Revenue.

6. *Politically exposed persons:* Natural persons, domestic or foreign, who are or have been entrusted with prominent public functions, together with their immediate family and close associates.

Individual entrusted with prominent public function means all of the following:

a. heads of state, ministers and deputy or assistant ministers,

b. members of parliament,

c. members of the governing bodies of political parties,

d. supreme court judges, judges on constitutional courts or other high-level judges sitting in courts the decisions of which are not subject to further appeal except in exceptional circumstances,

e. members of courts of auditors and the supreme officials of central banks,

f. ambassadors, chargés d’affaires and high-ranking officers in the armed forces,

g. members of the administration, management or supervisory bodies of state-owned enterprises,

h. directors, deputy directors and members of the boards of international organisations or international institutions.

The positions listed in subsections (a)-(h) do not apply to middle managers.

A person's 'immediate family members' are as follows:

a. the person's spouse,

b. the person's cohabiting partner in a registered partnership,

c. the person's children, step-children and their spouses or cohabiting partners in registered partnerships,

d. the person's parents.

A person's 'close associates' are:

a. natural persons who are known to have had joint beneficial ownership of a legal person together with a politically exposed person, or other known associates,

b. natural persons who have had a close business relationship with a politically exposed person,

c. a natural person who is the sole beneficial owner of a legal person which is known to have been established for the benefit of a politically exposed.

7. *Terrorist financing:* The raising of funds, whether by direct or indirect means, with the aim of using them, or the knowledge that they will be used, in part or in whole, to commit offences that are punishable under Articles 100 (a)-(c) of the General Penal Code.

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

9. *Currency:* Banknotes, coins and other currency items which central banks or other competent public bodies issue and which are accepted as legal tender.

10. *Transfer of funds:* Any type of movement of funds by electronic means via the payment systems of parties referred to in subsections (a) and (d) 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.

11. *Correspondent relationship:* When a financial undertaking provides an obliged entity with financial services, including such forms as deposit accounts, international transfers, set-offs, cash management, credit, securities transactions or investment.

12. *Money laundering:* Actions by which a natural person or legal person receives, uses or acquires, for itself or others, the proceeds of an offence that is punishable under the General Penal Code or other statutory law. The term shall also apply to actions by which a natural person or legal person converts such proceeds, transfers them, safeguards them, assists with their delivery, conceals them, or information concerning their origin, nature, location, disposal or transfer, or takes steps by other comparable means, to ensure other persons access to the proceeds of such criminal offences.

13. *Beneficial owner(s):* One or more natural persons who ultimately own or control the customer, legal entity or natural person on whose behalf a transaction or activity is being conducted or carried out. Beneficial owner is considered to be:

a. In the case of a legal person:

1. the natural person or persons who in fact own or control the legal person through the direct or indirect ownership of a share of more than 25% in the legal person, control more than 25% of the voting rights or are regarded as having control of the legal person in another manner; however, this provision does not apply to legal persons that are listed on a regulated market as defined in the Stock Exchange Act.

2. if it is not possible to find the beneficial owner as defined in indent 1, e.g. because ownership is so diversified that no natural persons own or control the customer in the sense of this Act or if there

is doubt as to the ownership, then the natural person or persons who direct the activities of the legal persons shall be regarded as the beneficial owner.

b. In the case of trusts and similar arrangements, all of the following:

1. trustee,
2. settlor,
3. protector, if any,
4. the beneficiary or beneficiaries; if the beneficiary has not yet been determined, then any natural person or group of natural persons who are likely to receive the proceeds of the establishment of the trust or similar arrangement shall be regarded as beneficiaries,
5. other natural persons who exercise control, directly or indirectly, over a trust or similar arrangement.

14. *Criminal conduct:* Conduct falling under the provisions of Articles 100 (a)-(c), or Article 264, of the General Penal Code, No. 19/1940. Deliberate deception against the financial interests of the European Union amounting to EUR 50,000 or more by means of false, incorrect, misleading or unsatisfactory information or documentation which leads to the abuse of funds of the European Union, or their use for purposes other than the declared purpose, shall also constitute criminal conduct.

15. *Shell bank:* credit institution or financial institution, or an institution that carries out activities equivalent to those carried out by credit institutions and financial institutions, incorporated in a jurisdiction in which it has no physical presence, involving meaningful mind and management, and which is unaffiliated with a regulated financial group.

16. *Virtual currency:* Any type of digital money that is neither electronic money in the sense of the Issue and Handling of Electronic Money Act nor a fiat currency.

17. *Obliged entities:* The entities listed in the first paragraph of Article 2.

18. *Approved identification documents:* Valid identification documents issued or approved by the government authorities. Valid identification documents comprise passports, driving licences and identity papers issued by the National Registry or corresponding foreign authorities and electronic authentication documents containing qualified electronic certificates preserved in a secure signature creation device as provided for in Act on Electronic Signatures.

19. *Senior manager:* A person with satisfactory knowledge of an obliged entity's risks regarding money laundering and terrorist financing who is of sufficiently high standing to take decisions regarding such risk. The person in question need not in all cases be a member of the board of the obliged entity.

20. *Custodian wallet service provider:* A natural or legal person which offers services for the management of 'private keys' for virtual currency, whether this is done through software, systems or another means of manging, keeping and transferring virtual currency.

Section II. Risk assessment and high-risk states.

■ **Article 4.** *Risk assessment.*

□ The National Commissioner of the Icelandic Police shall conduct a risk assessment that includes the analysis and assessment of the risk of money laundering and terrorist financing activities and identify means of mitigating the identified risk. The risk assessment shall be updated every two years, or more frequently if appropriate. All public authorities are obliged to provide the national commissioner with information necessary for the preparation of the risk assessment.

□ The Steering Committee on anti-money laundering and terrorist financing as provided for in Article 39 shall coordinate actions to mitigate the identified risk.

□ The risk assessment shall take into account the risk assessment carried out by the European Commission, be based on comprehensive information, both from public authorities and other

relevant sources in possession of information, and take into account other appropriate factors.
☐ The risk assessment under the first paragraph shall:

a. be used to improve AML/CFT measures, including the identification of circumstances in which enhanced customer due diligence measures are to be applied and specification of measures to be taken,

b. identify sectors or circumstances of lower or greater risk of money laundering and terrorist financing,

c. be used to identify where there is a need for regulatory reforms,

d. address the structure and framework of AML/CFT measures,

e. be used to allocate and prioritise funding, equipment and human resources,

f. be used as guidance for supervisors as provided for in Article 38 in carrying out its risk-based supervision,

g. be used to share relevant information in timely manner with obliged entities for use in their own risk assessments as provided for in Article 5,

h. be made public, in whole or in part.

☐ The National Security Council, the competent authorities under this Act, the European supervisory bodes, the EFTA Surveillance Authority and the competent authorities of other Member States shall be provided with a copy of the risk assessment.

■ **Article 5.** *Risk assessments by obliged entities.*

☐ Obliged entities shall carry out a risk assessment of their operations and transactions. The assessment shall include a written analysis and assessment of the risk of money laundering and terrorist financing, and shall take account of, amongst other things, risk factors relating to customers, trading countries or regions, products, services, transactions, technology and delivery channels. The risk assessment shall take account of the risk assessment carried out subject to art. 4. The risk assessment shall be proportionate to the size, nature and scope of the operations of the obligated entities and the complexity of their operations, and shall be used when carrying out risk-based supervision of business relationships and transactions.

☐ The risk assessment provided for in the first paragraph shall be updated every two years, and more frequently if appropriate. Risk assessment shall always be carried out before new products and services are marketed and when using new delivery channels and new technologies. Supervisors and other relevant authorities under this Act shall be provided with copy of the risk assessment if they so request.

☐ Supervisors may grant exemption from the obligation to carry out risk assessment if it is demonstrated that certain activities or transactions are of such a nature that the risk factors are clear and understood and appropriate measures to mitigate known risks are in place.

☐ Obliged entities shall have documented policies, controls and procedures to mitigate and manage the risks associated with money laundering and terrorist financing. Measures taken by obliged entities under this provision shall be proportionate to the size, nature and scope of the obliged entity's operations and the complexity of its activities.

☐ Policies, controls and procedures under the fourth paragraph shall include, as a minimum:

a. provisions on the development and updating of the policies, controls and procedures, including risk mitigating measures, customer due diligence, suspicious transaction reports, internal controls and the appointment of a responsible person, taking account of the size and nature of the company and employee screening, and

b. where appropriate with regard to the size and nature of the business, an independent audit function or an independent auditor to carry out audits and test the internal policies, controls and procedures provided for in subsection (a).

☐ Policies, controls and procedures shall be approved by senior management, which shall be in charge of monitoring their application and give instructions on enhanced measures as appropriate.

■ **Article 6.** *High-risk and un-cooperative countries.*
☐ Supervisors under this Act shall publish notifications and guidance if special caution is required in transactions with countries or territories that do not comply with international recommendations and rules on anti-money laundering and terrorist financing.

Section III. Customer due diligence measures.
■ **Article 7.** *Anonymous transactions.*
☐ Obliged entities referred to in subsections (a)–(k) of the first paragraph of Article 2 may not enter into anonymous business relationships or transactions. If any of the entities customers are anonymous, the entity shall demand that he or she prove his or her identity, and information on the beneficial owner under Article 10 shall be provided if it has not already been obtained.
☐ If it does not prove possible to acquire information on a customer or beneficial owner in accordance with the first paragraph, then the procedures laid down in the eleventh paragraph of Article 10 shall be applied, as appropriate.
☐ Obliged entities referred to in subsections (a)–(m) of the first paragraph of Article 2 may not participate in, or facilitate, transactions in which the intention is to conceal beneficial ownership.

■ **Article 8.** *Circumstances in which customer due diligence measures are obligatory.*
☐ Obliged entities under this Act shall apply customer due diligence measures in accordance with the provisions of this section in the following circumstances:
a. When establishing a permanent business relationship,
b. when carrying out an occasional transaction amounting to EUR 15,000 or more, based on the official exchange rate as it is recorded at any given time, whether the transaction is carried out in a single operation or in several operations that appear to be linked,
c. when transferring funds (cf. item 10 of Article 3) in the case of an occasional transaction, whether the transfer is domestic or across borders, amounting to EUR 1,000 or more, based on the official exchange rate as it is recorded at any given time,
d. in the case of trading in products or services for which payment is made in cash, whether the transaction takes place in a single operation or in several operations that appear to be linked, amounting to EUR 10,000 or more, based on the official exchange rate as it is recorded at any given time,
e. on the paying out of winnings by obliged entities referred to in subsection (s) of the first paragraph of Article 2 amounting to EUR 2,000 or more, based on the official exchange rate as it is recorded at any given time, whether the payments are made in a single operation or in several operations that appear to be linked,
f. when there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold,
g. when there are doubts about the veracity or adequacy of previously obtained customer identification data.

■ **Article 9.** *Derogation from customer due diligence requirements on the basis of a risk assessment.*
☐ Obliged entities may derogate from individual parts of the customer due diligence measures referred to in subsections (a)–(d) of the first paragraph of Article 10 and Article 11 when issuing electronic currency in the sense of the Issue and Handling of Electronic Money Act. This shall only be permitted, however, if a risk assessment in accordance with Articles 4 and 5, as appropriate,

demonstrates little risk and all the following conditions are met:

a. the electronic money used is stored in a payment instrument that is non-rechargeable, or the monthly transactions do not exceed EUR 250, based on the official exchange rate as it is recorded at any given time and the payment instrument can only be used to make payments within the same country,

b. the maximum amount of electronic money stored at any given time in the payment instrument does not exceed EUR 250, based on the official exchange rate as it is recorded at any given time,

c. the payment instrument is used exclusively to pay for goods or services,

d. the issuer of the payment instrument carries out sufficient monitoring of its transactions and contractual relations to enable the detection of unusual or suspicious transactions,

e. redemption in cash, or cash withdrawal, does not exceed EUR 100, based on the official exchange rate as it is recorded at any given time.

☐ The amount stored in a payment instrument under subsection (b) of the first paragraph may be up to EUR 500 if the instrument can only be used in Iceland.

☐ Obliged entities that are licensed to provide services as acquirers shall only approve payments that are made by anonymous pre-paid cards issued in countries outside the Member States if the cards meet the requirements regarding customer due diligence that are set out in subsection (a)–(d) of the first paragraph of Article 10 and Article 11, and requirements comparable to those set out in subsections (a) and (b) of the first paragraph. 1)

1) This paragraph comes into force on 1 January 2020 under the second paragraph of Article 58.

■ **Article 10.** *Customer due diligence.*

☐ Prior to the establishment of a business relationship, or prior to a business transaction , the obliged entity shall require that:

a. natural persons prove their identity by producing approved identification documents,

b. legal entities, trusts or similar arrangements prove their identities by submitting a certificate from the Company Register of the Directorate of Internal Revenue, or a comparable public register, with their name, address and official registration number, or comparable information; holders of power of procuration and others who hold special authorisation to represent a customer vis-à-vis a financial undertaking, including managing directors and members of the board of directors, shall prove their identities in accordance with subsection (a),

c. persons who act on behalf of a trust or similar arrangement, i.e. trustees, provide the obliged entity with information about the beneficial owner(s); they shall also, at their own initiative, inform the obliged entity of their standing as trustees,

d. persons acting on behalf of third parties demonstrate that their power of procuration or special authorisation has been duly obtained and prove their identities in accordance with subsection (a),

e. there is sufficient information about the beneficial owner and he has proven his / her identity in accordance with subsection (a). ☐ An obliged entity shall at all times obtain sufficient information about the customer and the beneficial owner (cf. the first paragraph), and take appropriate measures to verify information under the first paragraph, e.g. by means of information from public records. An obliged entity shall make an independent assessment of whether the information about the beneficial owner is accurate and adequate and must understand the ownership, operations and administrative structure of those customers that are legal persons, trusts or other similar arrangements. Where the identity of the final recipient of funds, or of the beneficial owner, is not clear from the materials submitted, further information shall be requested. If it is not possible to identify the beneficial owner, e.g. because ownership is so diversified that no natural persons own or control the customer in the meaning of this Act, the obliged entity shall then take reasonable measures to obtain satisfactory information about the natural persons who in fact direct the customer’s activities.

☐ An assessment shall be made, or, if appropriate, relevant information shall be obtained, regarding the purpose and nature of the proposed transactions by a prospective customer.
☐ Obliged entities shall:
a. conduct on-going monitoring of their business relationships,
b. obtain satisfactory information regarding the transactions that take place during the business relationship in order to ensure that their customers transactions are compatible with available information and risk assessment under Article 5,
c. confirm, as appropriate, the origin of the funds used in transactions,
d. take reasonable measures to verify relevant information,
e. update their customer information regularly and obtain further information in accordance with this Act as necessary.
☐ Obliged entities shall assess whether a transaction is being made on behalf of a third party, and if they are aware that this is the case, or have reason to believe so, they shall verify the identity of the third party (cf. the first and second paragraphs).
☐ Obliged entities may make further demands regarding verification of information on the basis of a documented risk assessment under Article 5, even though the circumstances covered in Article 13 do not apply.
☐ In the case of life insurance or other investment-related insurance policies, entities referred to in subsections (b) and (c) of the first paragraph of Article 2 shall, in addition to the customer due diligence measures set out in the first three paragraphs of this Article, conduct the following due diligence measures regarding the beneficiary as soon as he or she is identified or designated:
a. in the case of a beneficiary that is a natural person or a trust or similar arrangement, obtaining the name of the person,
b. in the case of a beneficiary that is designated by characteristics or by class or by similar features, or if the beneficiary's identity is unknown, sufficient information shall be obtained in order to prove his / her identity as provided for in subsection (a) of the first paragraph, no later than the time of pay-out of the policy, in whole or in part.
☐ When a life insurance or other investment-related insurance policy is assigned, in whole or in part, to a third party, the obliged entity referred to in subsection (b) and (c) of the first paragraph of Article 2 shall, if its aware of the assignment, obtain relevant information concerning the beneficiary (cf. the first paragraph of this Article). At all times, the identity of the beneficiary shall be confirmed before pay-out, in whole or in part.
☐ If the beneficiary of a trust or similar arrangements is designated by characteristics, class or similar features, sufficient information shall be obtained in order to prove the identity of the beneficiary at the time of pay-out of the policy or when the beneficiary exercises its rights under the policy in another manner.
☐ In addition to applying customer due diligence measures to all new customers, obliged entities shall apply customer due diligence measures to their current customers, including when changes take place in the business relationship or individual aspects of it and if the obliged entities are required to review beneficial ownership on an ongoing basis according to law or other commitments. Customer due diligence measures shall at all times be applied on the basis of a risk assessment under Article 5, and shall be based on all necessary information.
☐ If the execution of a customer due diligence in accordance with this Article, has not proven possible, while taking into account the risk assessment of the obliged entity, and the circumstances which permit exemption from the requirement referred to in the first and second paragraphs of Article 11 do not apply, neither a transaction nor a business relationship may be established. If a business relationship has already been established, it shall be terminated immediately. An assessment shall also be made of whether the FIU should be notified in accordance with Article 21.
☐ If continued customer due diligence could interfere with an investigation or prosecution in connection with suspicious transactions, the obliged entity may discontinue customer due diligence and, if appropriate, may establish business relationship or permit transactions. The FIU shall be

notified without delay of such circumstances.

■ **Article 11.** *Temporary postponement of customer due diligence.*
☐ Without prejudice to the first and second paragraphs of Article 10, and in order not to interrupt the normal conduct of business, verification of the information required under the first paragraph of Article 10 may be postponed until a business relationship has been established in those cases where there is considered to be little risk of money laundering or terrorist financing. In such cases, the customer and the beneficial owner shall demonstrate their identities as soon as possible.
☐ Obliged entities may establish a business relationship with a customer even if the conditions of the first paragraph are not met providing that it is ensured that the customer is not able to perfomr transactions until the due diligence procedure provided for under Article 10 has taken place, taking account of the obliged entity's risk assessment and the regulation on customer due diligence under point a of Article 56.
☐ The provisions of the second paragraph do not apply to obliged entities under subsection (l) and (m) of the first paragraph of Article 2 when examining the legal position of his client in connection with judicial proceedings, including when giving advice on whether to instigate or avoid judicial proceedings.

■ **Article 12.** *Simplified customer due diligence measures.*
☐ If a risk assessment under Article 4 or Article 5 has identified low level of risk of money laundering or terrorist financing, obliged entities may apply simplified customer due diligence measures in accordance with the risk assessment and regulation on customer due diligence under Article 56.
☐ Obliged entities shall carry out sufficient monitoring of their customers' transactions and business relationships to enable the detection of unusual or suspicious transactions even though a simplified due diligence procedure has been applied to the customer in question in accordance with the first paragraph.

■ **Article 13.** *Enhanced customer due diligence measures.*
☐ Obliged entities shall apply enhanced customer due diligence in the following circumstances:
a. when dealing with natural persons, legal entities, trusts or similar arrangements located in high-risk or un-cooperative countries,
b. when Articles 14-17 apply, or
c. cases other than those covered in points a or b when the risk assessment under Article 4 or Article 5 indicates a high level of risk.
☐ It is not obligatory to apply enhanced customer due diligence measures regarding entities referred to in subsections (a) of the first paragraph in cases involving transactions with branches or subsidiaries of obliged entities that are established in a Member State, providing that the branches and subsidiaries in question comply fully with the group-wide policies and procedures under Article 32. Such branches and subsidiaries shall be handled in accordance with the obliged entity's risk assessment.
☐ Obliged entities shall examine, as far as reasonably possible, the background and purpose of all transactions to which at least one of the following applies:
a. they are complex,
b. they are unusually large,
c. they are conducted in an unusual pattern or
d. they have no apparent economic or lawful purpose.
☐ All such transactions and the business relationships associated with them shall be subject to enhanced customer due diligence measures in order to establish whether they constitute suspicious transactions.

■ **Article 14.** *Enhanced customer due diligence applicable to customers in high-risk countries.*

☐ With respect to transactions or business relationships with natural persons, legal entities, trusts or similar arrangements domiciled or established in high-risk or un-cooperative countries under Article 6 or regulation on high-risk countries (cf. Article 56), obliged entities shall apply enhanced customer due diligence measures which shall involve, as a minimum:

a. obtaining additional information on the customer and the beneficial owner,

b. obtaining additional information on the nature of the proposed business relationship,

c. obtaining information on the source of funds and the source of the wealth of the customer and the beneficial owner,

d. obtaining information on the purpose of the transactions proposed, or of transactions already effected,

e. obtaining senior management approval before establishing or continuing business relationships with such persons,

f. conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied, and subjecting unusual business patterns to special examination,

g. requiring that the first payment is carried out through an account in the customer's name with a financial undertaking that is subject to customer due diligence procedures that are comparable to those provide for in this Act.

☐ In addition to the measures provided for in the first paragraph, obliged entities shall, as appropriate and in order to reduce risk, apply one of more of the following:

a. additional elements of enhanced due diligence, to be decided by the obliged entity itself, on the basis of a risk assessment,

b. applying enhanced or systematic monitoring of transactions,

c. reducing or restricting business relationships or transactions with natural persons, legal entities or similar arrangements from high-risk countries.

☐ In addition to the measures provided for in the first paragraph, supervisors may, as appropriate:

a. refuse the establishment of subsidiaries or branches or representative offices of obliged entities from high-risk countries, or countries that do not have measures against money laundering and terrorist financing that are comparable with those prescribed in this Act,

b. prohibit obliged entities from establishing branches or representative offices in high-risk countries, or countries that do not have measures against money laundering and terrorist financing that are comparable with those prescribed in this Act,

c. require credit institutions or financial undertakings to review and amend, or, if necessary, terminate, correspondent relationships with respondent institutions in high-risk countries,

d. require increased supervisory examination or increased external audit requirements for branches and subsidiaries of obliged entities located in high-risk countries,

e. require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in high-risk countries.

■ **Article 15.** *Correspondent relationships.*

☐ In cross-border correspondent relationships with institutions in non-member states, obliged entities referred to in subsections (a)–(k) of the first paragraph of Article 2 shall, in addition to the customer due diligence measures required under Article 10, meet all the following conditions when establishing business relationships:

a. obtain sufficient information on the activities of the respondent institution in order to understand the operations and activities of the respondent's business, assess its reputation on the basis of publicly available information and verify the quality of its supervisors,

b. assure themselves of the quality of procedures, controls and measures taken by the respondent institution to prevent money laundering and terrorist financing,

c. obtain senior management approval before establishing correspondent relationship,

d. document the responsibilities of each party according to this Act, and

e. confirm, in the case of payable-through accounts, that the respondent institution has applied

appropriate customer due diligence measures and that it regularly assesses information on customers that have direct access to the accounts of the obliged entity referred to in subsection (a) of the first paragraph of Article 2 and is able to provide information on the customer if requested.

■ **Article 16.** *Correspondent relationships with shell banks.*
☐ Obliged entities referred to in subsections (a)–(k) of the first paragraph of Article 2 may not enter into, or continue, correspondent relationships with shell banks. They are moreover not permitted to have business relationships with respondents who permit shell banks to make use of their accounts. If business relationships have been established with such respondents or shell banks, they shall be terminated immediately.

■ **Article 17.** *Politically exposed persons.*
☐ Obliged entities shall have in place appropriate systems, procedures and process to determine whether a domestic or foreign customer, or the beneficial owner, is a politically exposed person. Politically exposed person are individuals who are or have been entrusted with prominent public functions, their immediate families and natural persons who are known to be their close associates.
☐ If a customer, or the beneficial owner, is a politically exposed person, obliged entities shall, in addition to applying customer due diligence measures as provided for in this section:
a. obtain senior management approval before establishing or continuing business relationships,
b. take adequate measures to establish the source of wealth and source of funds that are involved in business relationships or transactions with such persons,
c. conduct enhanced, ongoing monitoring of those business relationships.
☐ Obliged entities shall, in the same manner as is laid down in the first paragraph, determine whether an insured person, or the beneficiary of a life or investment-related life insurance policy is a politically exposed person. This assessment shall be made no later than when the beneficiary is nominated or at the time of the pay-out of the policy proceeds, in whole or in part.
☐ If the insured person or the beneficiary is a politically exposed person, obliged entities shall, in addition to the customer due diligence measures under this Section:
a. inform senior management before allocation or a pay-out, in whole or in part,
b. conduct enhanced regular monitoring of the business relationship.
☐ If the status of the customer changes after the business relationship has been established in such a way that he or she is regarded as a politically exposed person, the first and second paragraphs shall also apply. In such a case, approval shall be obtained immediately from senior management (*cf.* point a of the second paragraph) before the business relationship is continued.
☐ If the status of the customer changes after the business relationship has been established in such a way that he or she is no longer regarded as a politically exposed person, obliged entities shall nevertheless conduct enhanced scrutiny of the person concerned in accordance with this provision. This scrutiny shall remain in force for at least the next 12 months and until risk originating in the person's previous positions is no longer to hand.

Section IV. Information from third parties.
■ **Article 18.** *Customer due diligence performed by third parties.*
☐ An obliged entity need not apply customer due diligence measures before transactions commence as laid down in subsections (a)–(e) of the first paragraph of Article 10 if the corresponding information on the customer is revealed through the agency of another obliged entity. Ultimate responsibility for customer due diligence under Section III shall lie with the obliged entity receiving such information.
☐ The authorisation to obliged entities under the first paragraph is contingent on the condition that the party providing the information:
a. performs a customer due diligence assessment and preserves materials in accordance with the requirements of this Act and

b. is subject to monitoring comparable to that prescribed in this Act.
The obliged entity shall verify that the third party meets the requirements of this paragraph.
☐ Obliged entity relying on a customer due diligence procedure carried out by a third party shall take account of the risk of money laundering and terrorist financing in the state where the party in question is located. Without prejudice to the first paragraph, obliged entities may not rely on information from undertakings that are established in high-risk and non-compliant states as defined in Article 6 and regulation on high-risk states (*cf.* Article 56).
☐ Obliged entity relying on a customer due diligence procedure carried out by a third party shall ensure that it is provided with the information referred to in subsections (a)–(e) of the first paragraph of Article 10 without delay.
☐ Obliged entity that receives information under the first paragraph shall enter into a written agreement with the party providing the information confirming the points laid down in the second paragraph and stating that the party providing the information will, without delay, provide copies of approved identification papers and, as appropriate, other documents demonstrating the identity of the customer and the beneficial owner, if requested.
☐ Obligations under this provision shall not apply to outsource service providers or agents that are regarded as part of the obliged entity.

■ **Article 19.** *Information within a group.*
☐ The Financial Supervisory Authority, as the supervisor on a consolidated basis, may, by agreement with the competent authorities in the Member States where branches and subsidiaries of a group are located, permit obliged entities referred to in subsections (a)–(e) of the first paragraph of Article 2, to rely on information from within the group, providing that all the following conditions are met:
a. the obliged entity relies on information from another obliged entity within the same group,
b. all companies within the group apply customer due diligence, keep records and have policies, procedures and methods in place against money laundering and terrorist financing in accordance with the requirements of this Act or comparable rules,
c. supervision of the implementation of measures under subsection (b) takes place at group level and is either in the hands of the Financial Supervisory Authority or of the competent authority of another Member State.

Section V. Receipt of reports and obligation to report.
■ **Article 20.** *Financial Intelligence Unit.*
☐ The Financial Intelligence Unit (FIU) receives reports of transactions in which there is a suspicion of money laundering or terrorist financing. The FIU is responsible for analysing reports received, obtaining the necessary additional information and to disseminate the analysis to competent authorities. Analysis which the FIU performs are as follows:
a. operational analysis focusing on individual cases or specific subjects, or on appropriate selected information, depending on the type and volume of the information available and its use when the analysis has been completed, and
b. a strategic analysis intended to identify developments and trends in money laundering and terrorist financing.
☐ In relation to analysis and examination of cases under this Act and regulations and rules issued hereunder, natural and legal persons, public bodies, trusts and similar arrangements shall be obliged to provide the FIU with all the information it considers necessary without delay. In this respect it shall be irrelevant whether the information concerns the party to whom the request is directed or another party whom he is able to provide information about, that is relevant to the analysis or examination of cases by the FIU. Provisions on non-disclosure obligations do not limit the duty to provide information and grant access to data. This shall however not apply to information which a lawyer acquires when considering the legal status of his client in connection with judicial proceedings, including when giving advice on whether to initiate or avoid judicial proceedings, or

information that he obtains before, during or after the conclusion of judicial proceedings if the information has a direct bearing on the case.
☐ Natural and legal persons to whom requests are made under the second paragraph may not inform third parties about the request.
☐ The FIU may order obliged entities not to carry out, or to stop, transactions where there is a suspicion of money laundering or terrorist financing while analysis takes place and information is passed on to the relevant authorities under Article 41.
☐ The FIU may give orders under the fourth paragraph in order to assist its sister institutions in Member States and non-member states, with which it has entered into collaborative agreements as provided for in the ninth paragraph of Article 42.

■ **Article 21.** *Reporting obligations of obliged entities.*
☐ Obliged entities, their employees and managers shall, in timely manner:
a. notify the FIU, in the manner that it requires, of suspicious transactions and funds suspected to be the proceeds of criminal activity,
b. respond to requests from the FIU for additional information related to reports and
c. provide the FIU with all the necessary information it requires in connection with reports.
☐ Obliged entities shall prepare written reports on all suspicious and unusual transactions that take place in the course of their activities. Article 28 shall apply regarding the retention of such reports.
☐ The responsible person designated in accordance with Article 34 shall ensure that reports in accordance with the first paragraph are sent to the FIU of the state in which the obliged entity is established.

■ **Article 22.** *Obligation to refrain from carrying out transactions.*
☐ Obliged entities shall refrain from carrying out transactions which they know or suspect to be related to proceeds of criminal activity until a report has been sent to the FIU in accordance with subsection (a) of the first paragraph of Article 21 and instructions from the FIU have been received and followed.
☐ Reports, where applicable, shall state the deadline by which the obliged entity is required to execute the transaction. If such a transaction cannot be prevented, or if its suspension could hinder investigation of parties benefiting from it, the FIU shall be notified of the transaction as soon as it has taken place.

■ **Article 23.** *Reporting obligation of supervisors and other parties.*
☐ If, in the course of their work, the Financial Supervisory Authority or the Directorate of Internal Revenue become aware of transactions that may be related to money laundering or terrorist financing, or if these bodies receive information about such transactions, they shall, notwithstanding their non-disclosure obligations, inform the FIU of this immediately. The same obligation applies to all other public authorities. Reporting by supervisors under this provision does not affect reporting obligations towards other parties to which they may be subject according to law.
☐ Obligations under the first paragraph also apply to stock exchanges according to the Act on Stock Exchanges.
☐ All other parties may notify the FIU of suspicions of money laundering and terrorist financing.

■ **Article 24.** *Disclosure in good faith.*
☐ Disclosure in good faith of information pursuant to this Act to the FIU by obliged entity, its employee or managers shall not constitute a breach of any non-disclosure obligation to which the person is bound by law or other means. Such provision of information shall not involve criminal or compensatory liability for the individuals or legal entities involved, or their employees.

■ **Article 25.** *Procedures and systems for handling reports.*

☐ Supervisors shall have in place mechanisms to receive and follow up on reports on violations, possible violations and attempted violations of this Act and of regulations and rules issued hereunder, and reports of suspicions of money laundering and terrorist financing. Mechanisms under this provision shall:

a. be separate from other unrelated mechanisms of the supervisor,

b. ensure that anonymous reports are authorized,

c. ensure that reports are recorded, and if they include information that can be traced, directly or indirectly, to the person submitting the report, they shall be kept secret unless it is obligatory by law or in accordance with a court order to submit it to the police,

d. address the protection of those reporting violations and the rights of those who are accused of violations,

e. ensure that processing and handling of personal data is in accordance with the Personal Data Act.

☐ Obliged entities shall have in place documented procedures, *cf.* the first paragraph, to encourage their employees or individuals in comparable positions to report violations of this Act and of regulations and rules issued hereunder. An individual who receives reports under this Article and is in charge of processing them shall be independent in his work, and steps shall be taken to ensure that he has sufficient power, funding and authorisation to gather the data and information necessary to enable him to discharge his duties.

■ **Article 26.** *Protection of individuals who report suspicions of money laundering or terrorist financing.*

☐ An individual which, in good faith, reports suspicion of money laundering or terrorist financing, whether this is done to the FIU, a supervisor or within the obliged entity of his employment, shall be protected against retaliatory actions. The same applies regarding reports of violations of this Act.

☐ Amongst other things, the first paragraph shall entail that the person in question shall enjoy anonymity, in addition to which his employer may not abridge his rights and entitlements, terminate or cancel his contract of employment or take any other retaliatory actions against him for having reported a suspicion of money laundering or terrorist financing.

☐ If the circumstances in the second paragraph arise after an individual has reported a suspicion under the first paragraph, the employer shall demonstrate that the decision is based on grounds other than the reporting by the individual of a suspicion of money laundering or terrorist financing.

Section VI. Prohibition of disclosure.

■ **Article 27.** *Prohibition of disclosure.*

☐ Obliged entities, their directors, employees and others who work in their service shall ensure that customers or third persons are not informed that the FIU will be sent, or has been sent, a report according to Article 21 or that analysis on the basis of such a report is being, or may be, carried out.

☐ The prohibition laid down in the first paragraph shall not prevent disclosure to supervisors under this Act and in the interests of law enforcement purposes.

☐ Without prejudice to the provisions of the first paragraph, disclosure shall be permitted:

a. between parties referred to in subsections (a)–(i) of the first paragraph of Article 2 and that constitute part of a group as defined in the Act on Annual Accounts,

b. between parties referred to in subsections (a)–(i) of the first paragraph of Article 2 and their branches and subsidiaries outside the European Economic Area, providing that the branches and subsidiaries fully comply with group-wide policies and procedures in accordance with Article 32 and that the group's policies and procedures meet the requirements of this Act,

c. between parties referred to in subsections (l) and (m) of the first paragraph of Article 2 and that carry out their work for the same legal entity or the same corporate network,

d. between parties referred to in subsections (a)–(k) of the first paragraph of Article 2, providing

that all the following conditions are met:
1. that both parties belong to the same occupation,
2. that the matter involves a natural or legal person that is a customer of both parties,
3. that the information concerns transactions that have a bearing on both parties,
4. that both parties are subject to comparable obligations as regards measures against money laundering and terrorist financing, non-disclosure obligations and personal data protection and
5. that the information is used only for the purpose of preventing money laundering and terrorist financing.

☐ Parties named in subsections (l) and (m) of the first paragraph of Article 2 who seek to dissuade their clients from taking part in illegal activities shall not be considered as having violated the prohibition of disclosure in the first paragraph.

Section VII. Data protection, data retention and statistics.

■ **Article 28.** *Data retention.*

☐ Obliged entities shall retain the following data and information, including information that has been acquired electronically, for at least five years from the end of a business relationship or the date of an occasional transaction:
a. copies of documents and information relating to customer due diligence in accordance with Section III,
b. procedures employed in customer due diligence,
c. necessary supporting documents and business reports, either originals or copies, that are necessary to demonstrate customer transactions and would be admissible in judicial proceedings.

☐ Materials retained in accordance with the first paragraph shall be deleted when there is no longer any relevant reason to retain them in accordance with the provisions of the Personal Data Act. Supervisors under this Act and the FIU may determine that data is to be retained beyond the time limits stated in the first paragraph, if there is occasion to do so, but no longer than additional five years.

☐ Obliged entities shall establish procedures setting out access and access restrictions applying to their employees regarding data and information retained under this Act.

■ **Article 29.** *Processing of personal data.*

☐ Processing of personal data under this Act shall be in conformity with the Personal Data Act and for the sole purpose of preventing money laundering and terrorist financing. Other process, use or dissemination of the data is prohibited under this Act.

☐ Obliged entities shall provide new customers with information on the processing of personal data under this Act and the purpose of processing before entering into a business relationship or before carrying out occasional transactions. As a minimum, information shall be given on the obligations applying to the obliged entity regarding the processing and handling of personal data under this Act.

☐ Without prejudice to the provisions of the Personal Data Act, data subjects are not entitled to receive information on the personal data recorded on them by the obliged entity if such disclosure would:
a. prevent the obliged entity, supervisors under this Act or the FIU from being able to meet their obligations under this Act or
b. prevent analyses, investigations or other measures under this Act or jeopardize preventive measures, investigations or analyses of money laundering and terrorist financing.

☐ The processing and retention of materials and information under this Act constitutes public interest.

■ **Article 30.** *Systems to manage data and information.*

☐ Obliged entities shall have systems in place that enables them to respond promptly to enquiries

from the FIU or other competent authorities, whether the information involved concerns specific entities or specific transactions. Measures shall be taken to ensure that disclosure of confidential information is executed in a secure manner.

■ **Article 31.** *Statistics.*

☐ Supervisors under this Act, the FIU and, as applicable, other relevant authorities, shall gather and maintain relevant statistical data, which shall among other things include:

a. data on the size and relevance of the various occupational sectors which come under this Act, including the number of natural and legal persons belonging to each sector and the economic importance of each sector,

b. data on reporting and investigations connected with money laundering and terrorist financing, including reports submitted each year to the FIU regarding suspicions of money laundering and terrorist financing, the follow-up of such reports, the number of cases investigated, the number of persons prosecuted, the number of convictions, types of predicate offences where such information is available and the value of assets that have been frozen, seized or confiscated,

c. data on the number and percentage of reports that lead to further investigation, together with an annual report to obliged entities detailing the usefulness of their reports and feedback on them,

d. data on the number of requests for information sent to the FIU from its sister institutions abroad, how many requests could not be granted and the number of cases in which these requests were granted, in whole or in part, itemised by states,

e. the number of full-time-equivalent positions at the supervisors and the FIU engaged in measures under this Act,

f. the number of inspections undertaken by supervisors, including the number of on-site inspections, and the number of violations revealed by such inspections, and sanctions or other measures imposed by the supervisors,

g. the number of requests received from foreign sister institutions for information on beneficial owners.

☐ Statistics under the first paragraph shall be published in a consolidated form each year.

Section VIII. Internal procedures and employee training.

■ **Article 32.** *Internal procedures.*

☐ Obliged entities that are part of a group shall implement group-wide policies and procedures, including data protection and sharing of information within the group, on matters under this Act. In addition, policies and procedures shall be implemented in their branches and subsidiaries in Member States and non-member states.

☐ Obliged entities referred to in subsections (a)–(e) of the first paragraph of Article 2 which operate establishments in another Member State shall comply with national provisions of the host state if their requirements are at least equivalent to those made in this Act.

☐ Obliged entities referred to in subsections (a)–(e) of the first paragraph of Article 2 which operate through branches or subsidiaries in non-member states where the requirements made are less strict than those made in this Act shall comply with this Act to the extent permitted by the law of the state in question.

☐ If the legislation of a non-member state where a branch or subsidiary is located does not permit the application of requirements comparable to those prescribed in the first paragraph, the obliged entity shall inform the Financial Supervisory Authority thereof. Furthermore, the obliged entity shall ensure that the branch or subsidiary responds to the risk of money laundering or terrorist financing by applying other appropriate measures. If no other appropriate measures can be taken, the

Financial Supervisory Authority shall be informed, and shall exercise additional supervisory actions, which may include requiring that business relations are not established, or that they be terminated, that transactions be prohibited and, if necessary, require the group to close down its operations in the state in question.
☐ Obliged entities belonging to the same group shall share reports that have been sent to the FIU regarding suspicions that funds are the proceeds of criminal activity unless the FIU requests that they are not shared. They may also share other information covered by this Act.
☐ The Financial Supervisory Authority shall inform the European supervisory authorities if the legislation of a non-member state where a branch or subsidiary of an obliged entity is located does not permit the application of requirements comparable to those prescribed in the first paragraph. When assessing whether a non-member state meets the requirements of this Article, consideration shall be given to whether its legislation hinders:

a. the implementation of policies and procedures, including non-disclosure obligations and data protection, and

b. the exchange of information.

■ **Article 33.** *Employee training.*
☐ Obliged entities shall ensure that their employees, including agents, distributors and branch employees, receive special training in measures against money laundering and terrorist financing and that they acquire appropriate knowledge of the provisions of this Act and regulations and rules issued hereunder. The training shall take into account the risks applying to, and the nature and size of the obliged entity. The training shall take place at the beginning of employment and regularly throughout the employment period in order to ensure that employees know obliged entities obligations under this Act, including customer due diligence and reporting obligation, and that they receive information on developments in the field and the latest methods in money laundering and terrorist financing.
☐ Obliged entities shall establish special rules on what checks are to be made on applicants for positions, taking account of the aim of this Act, and in what circumstances criminal records or other comparable papers covering applicants’ careers and previous employment are to be required.

■ **Article 34.** *Responsible persons.*
☐ Obliged entities are responsible for ensuring compliance with the provisions of this Act and of regulations and rules issued hereunder. They shall be obliged to nominate one person from among their managers as a responsible person, who shall ordinarily be in charge of reporting in accordance with Article 21 and have unfettered access to customer due diligence, transactions or requests for transactions and all the data that might be of importance in connection with reports.
☐ The FIU and appropriate supervisors under this Act shall be notified of the nomination of the responsible person under the first paragraph.
☐ The responsible person shall ensure that policies, rules and procedures are implemented to promote coordinated working methods and effective application of this Act in the operations of the obliged entity.

Section IX. Registration obligation.

■ **Article 35.** *Registration obligation of money exchange services and virtual currency and custodian wallet providers.*
☐ Natural and legal persons that operate money exchange services and the providers of exchange services between virtual currencies, electronic currencies and fiat currencies shall be obliged to register with the Financial Supervisory Authority.

☐ Financial undertakings as defined in the Act on Financial undertakings, *cf.* subsection (a) of the first paragraph of Article 2, are exempt from the registration obligation.
☐ The non-disclosure obligation of persons under the first paragraph, their directors, executive directors, auditors, employees and any person who undertakes work in their service, shall be in accordance with Act on Financial undertakings.
☐ The Financial Supervisory Authority shall issue further rules on how registration is to take place, the conditions for it and for the conduct of transactions.

■ **Article 36.** *Registration obligation of various parties.*
☐ The following natural and legal persons are required to register with the Directorate of Internal Revenue:
a. trust or company service providers *cf. subsection* (q) of the first paragraph of Article 2,
b. persons who provide bookkeeping services for third parties *cf.* subsection (l) of the first paragraph of Article 2,
c. tax advisors *cf.* subsection (l) of the first paragraph of Article 2,
d. dealers in precious metals and stones,
e. art dealers and intermediaries *cf.* subsection (p) of the first paragraph of Article 2.
☐ Financial undertakings as defined in the Financial Undertakings Act *cf.* subsection (a) of the first paragraph of Article 2 and accounting firms and law firms *cf.* subsections (l) and (m) of the first paragraph of Article 2 are exempt from the registration obligation.
☐ The Directorate of Internal Revenue shall issue further rules on the process and conditions for registration.

■ **Article 37.** *Conditions for registration.*
☐ Registration under Article 35 shall be denied if parties subject to registration, their managers or beneficial owners have, in the preceding five years, been declared bankrupt or been sentenced for any criminal act under the General Penal Code, this Act, the legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxation or, as appropriate, special acts of law applying to persons subject to public surveillance of their financial activities. Furthermore, obliged entities that do not meet the conditions of this Act shall be refused registration.
☐ Registration under Article 36 shall be denied if parties which are subject to registration, their managers or beneficial owners have lost control over their estate or have, in the previous three years, been sentenced for any criminal act under the General Penal Code, this Act, the legislation on public limited companies, private limited companies, accounting, annual accounts, bankruptcy or taxation or, as appropriate, special acts of law applying to persons in question. Furthermore, obliged entities that do not meet the requirements of this Act shall be refused registration.
☐ A registered party shall be removed from the register referred to in Article 35 or 36 if the circumstances listed in the first or second paragraphs apply to the registered entity, its managers or beneficial owners.

Section X. Supervision.
■ **Article 38.** *Supervision.*
☐ The Financial Supervisory Authority is responsible for supervising that the obliged entities referred to in subsections (a)-(k) in the first paragraph of Article 2 comply with the provisions of this Act and regulations and rules issued hereunder. The supervision shall be subject to the Act on Official Supervision of Financial Activities and the sectorial law governing the operations of obliged entities.

☐ The Directorate of Internal Revenue is responsible for supervising that the obliged entities referred to in subsections (l)-(s) in the first paragraph of Article 2 comply with the provisions of this Act and regulations and rules issued hereunder, as well as issuing more detailed rules regarding the execution of the supervision.
☐ In connection with supervision and examinations under this Act, natural persons, legal entities, public bodies, trusts and similar arrangements are required to immediately provide supervisors referred to in this act with all the information and data they consider necessary. In this regard it is of no relevance whether the information concerns the party to which the request is directed or another party, about which it is in a position to provide information and is relevant regarding examinations a supervision under this Act. Statutory provisions on non-disclosure obligations do not restrict an obligation to provide information and access to data. However, this does not apply to information that an attorney acquires when examining the legal position of his client in connection with judicial proceedings, including when giving advice on whether to instigate or avoid judicial proceedings, or information that he acquires prior to, during or after the conclusion of judicial proceedings, if the information is directly related to the case. Supervisors may carry out on-site investigations of obliged entities and request information, in whatever manner, and as often as they consider necessary.
☐ Natural persons and legal entities, to which requests under the third paragraph are directed, may not provide information about the request to third parties.
☐ Supervisors and the FIU shall provide competent authorities of home states with all the assistance necessary for the supervision of foreign obliged entities which operate in Iceland but whose headquarters are in another Member State. Supervisors and the FIU may enter into agreements on collaboration and dissemination of information with their sister institutes in non-member states providing that they meet requirements regarding non-disclosure obligations and other provisions of this Act.
☐ Supervisors shall regularly review obliged entities risk assessments according to Article 5 and assess whether they comply with the risk assessment. Furthermore, supervisors shall review risk assessments when relevant changes take place in obliged entities management or activities.
☐ When assessing obliged entities risk assessments and their implementation of policies, procedures and rules, supervisors shall take into account the flexibility that obliged entities are granted under Article 5.

Section XI. Coordination and collaboration.

■ **Article 39.** *Coordination.*
☐ The minister shall appoint a steering committee on actions against money laundering and terrorist financing nominated by concerned parties. Supervisors referred to in this Act and other competent authorities involved in the administration of these matters shall be members of the committee. The committee shall be responsible for the coordination of measures against money laundering and terrorist financing.
☐ Without prejudice to the non-disclosure obligations applying to members of the steering committee, they may share information and data with each other in order to work towards the objectives referred to in the first paragraph.

■ **Article 40.** *Domestic cooperation.*
☐ Without prejudice to non-disclosure obligations, supervisors referred to in this Act and other competent authorities, including the tax authorities and the police, who, due to their duties, have responsibilities related to anti-money laundering and terrorist financing, are obliged, on their own initiative or upon a request, to share information and data which fall within the scope of this act with

each other, if the matter concerned involves information or data that may fall under the competence of the authority they are shared with. Authorities shall in the same manner, provide mutual assistance related to anti-money laundering and terrorist financing.
☐ Dissemination of information and data referred to in the first paragraph shall be carried out in a secure manner and as soon as possible.
☐ The recipient of data and information referred to in this Article may only use the provided data and information when carrying out his work in accordance with the objectives of this Act. Dissemination of received data and information to a third party is prohibited without the explicit consent of the authority which provided the information.
☐ The financial intelligence unit is not obliged to provide information in accordance with this provision if such disclosure is likely to have a negative impact on ongoing investigations or analyses. The same applies to special circumstances where disclosure might cause the parties concerned damage which is disproportionate compared to the need for the information, or if the information is not in accordance with the purpose of the request.
☐ Competent authorities shall provide feedback to the Financial intelligence unit regarding information it has disseminated in accordance with this provision. Information shall be given on the use of the information and the outcome of examinations or investigations carried out on the basis of the information.
☐ The competent authorities referred to in the first paragraph shall establish common rules regarding in which manner information and data referred to in this provision are disseminated.

■ **Article 41.** *Cooperation with foreign sister institutions.*
☐ Without prejudice to non-disclosure obligations, parties involved in supervision under this Act and other competent authorities, e.g. tax authorities, which in the course of their activities have obligations related to measures against money laundering and terrorist financing, shall provide their sister institutions in Member States with the assistance they request unless the circumstances described in the third paragraph of Article 42 are applicable. Such information may only be provided subject to the condition that a non-disclosure obligation will apply in the state in question or within the institution involved. Subject to the same conditions, supervisors and competent authorities may, on their own initiative, disseminate information to their sister institutions in other Member States if the information concern the Member State in question.
☐ Authorities under the first paragraph may not refuse requests for assistance, data or information on the grounds that:

a. the request also involves tax matters,

b. the non-disclosure obligation precludes assistance, except in cases involving work by obliged entities referred to in subsections (l) and (m)of the first paragraph of Article 2 when examining the legal position of their clients or when representing them in judicial proceedings, or in connection with judicial proceedings, including when they provide advice on whether to initiate or avoid judicial proceedings,

c. the request is connected to a case that is under examination or investigation, or judicial proceedings are in progress, unless assistant would have a negative impact on the process of the case,

d. the status of the authority to which the request is directed is different from that of the authority requesting the assistance, data or information.

☐ Parties under the first paragraph shall utilise all the authorisations available to them by law to assist with a request submitted under the first paragraph, including by obtaining information from obliged entities if applicable.

☐ Supervisors under this Act and the FIU shall provide their sister institutions in Member States with information from the Company Register of the Directorate of Internal Revenue, free of charge and as soon as possible, if so requested.
☐ Article 42 shall apply, as applicable, regarding the dissemination of information, the use of information provided, feedback, agreements with states other than Member States and the forwarding of information.

■ **Article 42.** *Cooperation and dissemination of information by the FIU.*
☐ Without prejudice to non-disclosure obligations, the FIU shall, at its own initiative or in response to a request from a sister institution in a Member State, process and disseminate, as promptly as possible, applicable information relating to the process or analysis of cases linked to money laundering or terrorist financing, as well as information on the natural person or legal entity involved. Information shall be disseminated regardless of the type of a predicate offence and whether information on it is available. Such information may only be provided subject to the condition that a non-disclosure obligation will apply to information in the state in question or within the institute involved.
☐ The FIU shall use all its authorisations by law to assist in connection with a request under the first paragraph, including by obtaining information from obliged entities, if applicable.
☐ The FIU is unauthorized to reject a request for information unless releasing the information:
a. could threaten the security of the state, public safety or other comparable interests or
b. is in contravention of Icelandic or international law.
☐ If the FIU has provided a sister institution with data or information and the institution in question requests authorisation to forward it to competent authorities in its state, the FIU shall respond to the request as soon as possible. Such requests shall be granted, regardless of the type of predicate offence, unless:
a. the request falls outside the scope of this Act,
b. forwarding the information would negatively impact a criminal investigation,
c. providing the information contravenes fundamental provisions of Icelandic law.
If a request to forward information is rejected, it shall be accompanied by appropriate explanations.
☐ If a report referred to in the first paragraph of Article 21 concerns another Member State, the FIU shall immediately forward the report to its sister institution in the state in question.
☐ If the FIU requests assistance from its sister institution in another Member State, the request shall state the facts and background of the case, the reason for the request and how the information requested information are to be used. Requests for information from obliged entities in other states shall be sent to sister institutes in the state in question. If requested, the FIU shall, as soon as possible, provide feedback on the information it has received in accordance with this provision.
☐ The FIU may only use the information provided in carrying out its work in accordance with the purpose of this Act and in conformity with a request according to the sixth paragraph. The provider of information may impose further restrictions on the use of information provided if he considers it necessary and the recipient shall respect all restrictions imposed.
☐ The release and use of information which is inconsistent with a request according to the sixth paragraph is prohibited without the unequivocal approval of the authority that provided the information.
☐ The FIU may enter into agreements on collaboration and dissemination of information according to this provision with its sister institutions outside the Member States, provided that they meet non-disclosure requirements and the requirements of other provisions of this Act.
☐ Different definitions of criminal activity according to point 14 of Article 3, by Member States shall

not prevent the dissemination and use of information under this provision.
☐ Dissemination of confidential information by the FIU shall be executed in a secure manner.

■ **Article 43.** *Information to European supervisors.*
☐ Supervisors and other competent authorities under this Act may provide the European supervisors under the European Financial Market Supervisory System Act, and the European Central Bank (ECB), with all the information necessary to those bodies to enable them to carry out their supervisory functions under this Act.
☐ Authorities are obliged to provide the EFTA Surveillance Authority, the EFTA Court and, as applicable, other EEA bodies, with all the information and data necessary to those bodies to enable them to carry out their supervisory functions under this Act.

Section XII. Coercive measures and sanctions.
■ **Article 44.** *Corrective action.*
☐ Should it be revealed that an obliged entity does not comply with this Act or regulations or rules issued hereunder, the supervisors referred to in Article 38 shall demand that corrective action are taken within a reasonable time limit.

■ **Article 45.** *Daily fines.*
☐ Supervisors referred to in Article 38 may impose Daily fines on an obliged entity and entities referred to in the third paragraph of Article 38 if it fails to provide the information requested or fails to act on demands for corrective action by the deadline referred to in Article 44. Daily fines shall be imposed until the entity complies with the supervisors demands. Daily fines may range from ISK 10 thousand to ISK 1 million each day. When determining the amount of Daily fines, consideration may be given to the nature of the negligence or the breach and the financial strength of the entity in question.
☐ Daily fines shall be determined by the board of the Financial Supervisory Authority or by the Directorate of Internal Revenue, as applicable.
☐ Uncollected Daily fines shall not lapse even if the parties concerned later comply with the demands of the supervisors unless the board of the Financial Supervisory Authority or the Directorate of Internal Revenue, as applicable, approve a reduction or waiving of the fines.
☐ Decisions on Daily fines under this Article are enforceable by law.
☐ Daily fines that are collected shall accrue to the Treasury after deduction of the collection cost.

■ **Article 46.** *Administrative fines.*
☐ Supervisors may impose administrative fines on any party violating the following provisions of this Act and regulations and rules issued hereunder:
1. Article 5, on obliged entities risk assessments,
2. Article 7, on anonymous transactions and participation in transactions intended to conceal beneficial ownership,
3. Article 8, on circumstances in which customer due diligence measures is required,
4. Article 10, on customer due diligence,
5. Article 11, on the temporary postponement of customer due diligence,
6. Article 12, on simplified customer due diligence,
7. Article 13, on enhanced customer due diligence,
8. Article 14, on enhanced customer due diligence applying to customers in high-risk states,
9. Article 15, on correspondent relationships involving obliged entities,
10. Article 16, on correspondent relationships between obliged entities and shell banks,
11. Article 17, on politically exposed persons,

12. Article 18, on customer due diligence performed by third parties,
13. Article 21, on reports by obliged entities,
14. Article 22, on obligation to refrain from transactions,
15. Article 27 (1), on prohibition of disclosure,
16. Article 28, on record retention,
17. Article 30, on systems to manage data and information,
18. Article 32, on internal procedures,
19. Article 33, on training of employees,
20. Article 34 (3), on the duty of the responsible person to ensure the implementation of policies, rules and procedures which will promote coordinated working methods and effective application of the Act,
21. Article 35, if activities are pursued without registration,
22. Article 36, if activities are pursued without registration,
23. Article 38 (3), by providing incorrect or misleading information to supervisors,
24. Article 38 (4), by providing information to a third party regarding requests referred to in the third paragraph of Article 38,
25. subsection (i) of Article 56, on information that shall accompany transfers, and the provisions of the regulation issued under the article on including the appropriate information on the payer and the recipient of transfers, retention of records and the implementation of an efficient and risk-based procedure.

☐ When determining administrative fines under this provision, all relevant circumstances shall be taken into account, including the following:

a. the gravity of the breach,
b. the duration of the breach,
c. the degree of responsibility of the person held responsible with the legal person,
d. the financial strength of the person held responsible,
e. the benefit derived from the breach, or the losses avoided by the breach,
f. whether the breach resulted in a loss for a third party,
g. all types of potential systemic consequences of the breach,
h. the willingness of the person held responsible to cooperate,
i. previous breaches and whether repeated breaches are involved.

☐ Administrative fines imposed on obliged entities referred to in subsections (a)-(h) of the first paragraph of Article 2 may range from ISK 5 million to ISK 800 million. Administrative fines imposed on employees of obliged entities may range from ISK 500 thousand to ISK 625 million.

☐ Without prejudice to paragraph (3), administrative fines imposed on obliged entities referred to in subsections (a)-(h) of the first paragraph of Article 2 may amount to as much as 10% of the obliged entity's gross turnover according to its last approved financial statement or 10% of the last approved consolidated financial statement if the obliged entity is part of a group.

☐ Administrative fines imposed on obliged entities referred to in subsections (i)-(s) of the first paragraph of Article 2 may range from ISK 500 thousand to ISK 500 million. Administrative fines imposed on employees of obliged entities may range from ISK 100 thousand to ISK 125 million.

☐ If a natural person or legal entity violates the provisions of this Act, or regulations or rules issued hereunder, and it is established that he has derived financial advantage from the violation, a fine may be imposed on the offender that, without prejudice to the third or fourth paragraph, may amount to as much as twice the offender's financial advantage.

☐ Decisions on administrative fines shall be taken by the board of the Financial Supervisory Authority or by the Directorate of Internal Revenue, as applicable and shall be enforceable by law. Fines shall accrue to the Treasury after deducting the cost of their collection. If administrative fines

are not paid within one month of the decision imposing them, penal interest shall be paid on the amount of the fine. The Act on Interest and Indexation shall apply to a decision and calculation of penal interest.
☐ Administrative fines shall be imposed regardless of whether violations are committed intentionally or through negligence.
☐ When a violation of this Act is committed in the activities of a legal entity, and to its advantage, an administrative fine may be imposed on the legal entity regardless of whether any guilt by a representative or an employee of the legal entity has been proven. If a representative or an employee is found guilty of a violation of this Act, an administrative fine may also be imposed on the legal entity if the violation was to its advantage.
☐ Supervisors shall, as applicable, collaborate and coordinate their actions when imposing sanctions.

■ **Article 47.** *Settlement.*
☐ Where a party has violated the provisions of this Act, or of regulations or rules issued hereunder or decisions of supervisors based on them, supervisors may conclude the case by a settlement with the party´s consent. A settlement is binding for a party once he has approved and confirmed its substance by signature. Supervisors shall issue rules on the further implementation of this provision.

■ **Article 48.** *Right against self-incrimination.*
☐ In a case against a natural person which may be concluded by the imposition of an administrative fine, any person reasonably suspected of having violated the law, shall have the right to refuse to answer questions or to surrender data or objects, unless the possibility can be excluded that this may be of significance for determining his/her offence. Supervisors shall inform the suspect of this right.

■ **Article 49.** *Time limit for the imposition of administrative fines.*
☐ Supervisors authorisation to impose administrative fines under this Act expires when five years have passed from the conduct in question.
☐ Calculation of the time limit provided for in the first paragraph shall be suspended when the supervisor notifies a party of the initiation of an investigation of an alleged offence. Suspension of the time limit shall have legal effect on all parties involved in an offence.

■ **Article 50.** *Suspension of the boards of directors and managing director.*
☐ Supervisors may suspend the board of directors of an obliged entity referred to in the first paragraph of Article 2 in whole or in part, as well as the managing director, in the event of serious, repeated or systematic violations of the provisions of this Act or of regulations or rules issued hereunder. The persons concerned may not sit on the board of director or as a managing director of an obliged entity falling within the scope of this Act for the next five years following suspension.
☐ Supervisors shall inform the Registry of Companies of a suspension pursuant to paragraph (1) of this article, no later than seven days after the person concerned was notified about the suspension.

■ **Article 51.** *Revocation of operating licences, etc.*
☐ The Financial Supervisory Authority may revoke the operating licences or registrations of obliged entities referred to in subsections (a)- (g) and (i)-(k) of the first paragraph of Article 2 in whole or in part if they intentionally, seriously, repeatedly or systematically violate the provisions of this Act or of regulations or rules issued hereunder.
☐ If a pension fund referred to in subsection (h) of the first paragraph of Article 2 commits a violation such as described in the first paragraph, the Financial Supervisory Authority shall notify this to the minister responsible for matters concerning pension funds who may, if appropriate, appoint a

supervisor for the pension fund in accordance with Act on Mandatory Pension Insurance and Pension Funds operations.

■ **Article 52.** *Deadline for initiating proceedings.*
□ A party that is unwilling to accept the supervisors' decision may initiate legal proceedings for annulment of the decision before the courts. Such proceedings must be initiated within three months from the time that the party was notified of the decision. Initiation of legal proceedings does not postpone the legal effect of the decision or of the authorisation to take enforcement action pursuant to the decision without prejudice to revocation of an operating licence or a registration under Article 51).
□ If judicial proceedings are initiated for the annulment of a decision under Article 45 within 14 days from the time when it was announced to the party concerned, and if the party has requested accelerated procedure, Daily fines may not be collected until judgment has been delivered. Notwithstanding that judicial proceedings have been instituted for the annulment of a decision under Article 45, Daily fines shall continue to be imposed on the party in question.
□ Decisions under this Act may not be appealed to higher authorities or appeal committees.

■ **Article 53.** *Public publication of sanctions.*
□ Supervisors shall publish on their websites all decisions imposing administrative sanctions under Articles 46. - 47. and 50. - 51. Decisions shall be published as soon as possible after the offender has been informed of the decision. Publications shall at least disclose information regarding the type and nature of the violation and the person held responsible for the violation. It is not obligatory to publish information on sanctions if the violation is still under investigation.
□ If publication under the first paragraph would cause the party in question loss or damage which is disproportionate compared to the violation in question, or if publication is considered to jeopardize the interests of the financial market or the interests of an investigation, the supervisor in question shall:
  a. delay publication until such circumstances no longer obtain,
  b. publish information on the application of sanctions but delay naming until such circumstances no longer obtain,
  c. not publish any information if publication under subsection (a) or (b) would jeopardize the interests of the financial market or if the justification for publication is minor in comparison with the interests involved.
□ In the same way as specified in the first paragraph, supervisors shall publish if judicial proceedings have been initiated for the annulment of a decision to impose administrative sanctions and the outcome of such proceedings.
□ Information published under this provision shall remain accessible on supervisor's website for at least five years. However, personal data shall not be accessible longer than objective grounds demand according to the Personal Data Act.
□ Supervisors shall publicly publish the policy they follow when publishing information under this provision.

■ **Article 54.** *Information on sanctions to be given to the European supervisory authorities.*
□ The Financial Supervisory Authority shall inform the European supervisory authorities of all sanctions that it imposes under this Act, including whether legal proceedings have been initiated for the annulment of decisions to impose sanctions and the outcome of such cases.

Section XIII. Miscellaneous provisions.
■ **Article 55.** *Non-disclosure obligation.*
□ Parties who receive information under Articles 39. – 43., or notifications under this Act, are bound

by a non-disclosure obligation. They may not, subject to liability according to the provisions of the General Penal Code regarding offences committed in government service, disclose information that are submitted to them on the basis of this Act and should be kept secret, to unauthorised persons, unless a judge orders that the information is to be disclosed before court or to the police, or it is obligatory by law to disclose the information. The non-disclosure obligation remains after the party concerned leaves his position, and information covered by a non-disclosure obligation may not be used for commercial purposes.
☐ Without prejudice to the non-disclosure obligation under the first paragraph, those who sit in the Steering Committee referred to in Article 39 may share within their own authority, information that falls under the jurisdiction of the authority concerned.

■ **Article 56.** *Authorisation for the issue of regulations.*
☐ The minister may issue regulations containing further provisions on the execution of this Act, regarding for instance:
a. the carrying out of risk assessments under Section II,
b. high-risk and un-cooperative states, including notifications of transfers, prohibition on establishing business relationships and prohibition or restriction on the disclosure of information to natural persons and legal entities that have connections with high-risk or un-cooperative states under Section II,
c. the carrying out of customer due diligence, enhanced customer due diligence and simplified customer due diligence under Section III; amongst other things, the regulation shall state what requirements the customer due diligence shall be fulfilled when obliged entities are allowed to carry out simplified customer due diligence and what additional requirements are to be made in the case of enhanced customer due diligence,
d. politically exposed persons, including what positions are considered as high-ranking positions in public service under Section III,
e. the application of reporting obligations and other obligations applying to parties under Section V,
f. appropriate measures and minimum requirements under the fourth paragraph of Article 32,
g. the role of responsible persons under Section VIII,
h. the imposition of Daily fines and administrative fines under Section XII,
i. what information are to accompany transfers.

■ **Article 57.** *Implementation of a directive.*
☐ This Act constitutes the implementation in law of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

■ **Article 58.** *Entry into force.*
☐ This Act takes effect on 1 January 2019. …
☐ Without prejudice to the first paragraph, the provision of the third paragraph of Article 9 shall take effect on 1 January 2020.

■ **Article 59.** *Amendments to other acts of law.* …

Interim provisions.
■ **I.**
☐ The first risk assessment under Article 4 shall be published no later than 1 April 2019.

■ **II.**

□ Risk assessments by obliged entities under Article 5 shall be complete no later than 1 June 2019.

■ **III.**

□ Obliged entities shall, not later than 1 January 2020, have obtained information on beneficial owners, *cf.* the second sentence of the first paragraph of Article 7, in the case of customers who have been found to have conducted anonymous transactions before coming into force of this Act.

■ **IV.**

□ Parties under Article 36 shall register with the Directorate of Internal Revenue no later than six months after this Act enters into force.

■ **V.**

□ Without prejudice to the provisions of the second paragraph of Article 38, representatives of the Consumer Agency, the Council of Auditors and the Realtors' Monitoring Committee shall have seats on the Steering Committee on measures against money laundering and terrorist financing and assist the Directorate of Internal Revenue with audits from the coming into force of this Act and until 1 June 2019.