

Act on Payment Services

No. 120 27 September 2011

Entered into force 1 December 2011. *EEA Agreement: Annex IX, Directive 2007/64/EC. Amended by Act No. 17/2013 (entered into force on 1 April 2013; EEA Agreement: Annex IX, Directive 2009/110/EC).*


Any mention in this Act of a Minister or Ministry, without specifying or referring to the function, refers to the Minister of **Finance and Economic Affairs** or the **Ministry of Finance and Economic Affairs**, which administers this Act. Information on the functions of Ministries as provided for by a Presidential Ruling is available [here](#).


CHAPTER I General provisions

Art. 1

Scope

 This Act shall apply to payment services provided in Iceland.

 The provisions of Chapters III-V, with the exception of Art. 67, shall only apply, however, if both the payer's payment service provider and the payee's payment service provider are, or if the sole payment service provider in the transaction is, located in a Member State.

 Provisions of Chapters III-V shall apply to payment services made in euros (EUR) or the currency of a Member State outside the euro area. Provisions of Articles 64-67, however, shall only apply to the following payments:

- a. payments in EUR;
- b. payments in ISK within Iceland;
- c. payments involving only one currency conversion between EUR and ISK, provided that the currency conversion takes place in Iceland and, in the case of cross-border payments, that they are made in EUR;
- d. other payments within the Member States, unless otherwise agreed; this shall not, however, apply to Art. 67 which is peremptory.

Art. 2

This Act shall not apply to:

1. Payment transactions made exclusively in cash directly from the payer to the payee, without any intermediary intervention.
2. Payment transactions from the payer to the payee through an agent authorised to negotiate or conclude the sale or purchase of goods or services on behalf of the payer or the payee.
3. Professional physical transport of banknotes and coins, including their collection, processing and delivery.
4. Payment transactions consisting of non-professional cash collection and delivery within the framework of a non-profit or charitable activity.
5. Services where cash is provided by the payee to the payer as part of a payment transaction following an explicit request by the payment service user upon the execution of the payment transaction for the purchase of goods or services.
6. Money exchange business, that is to say, cash-to-cash operations, where the funds are not held in a payment account.

7. Payment transactions based on paper cheques, travellers' cheques, bills of exchange, vouchers or postal money orders.

8. Payment transactions carried out within a payment or securities settlement system between settlement agents, central counterparties, clearing houses and/or central banks and other participants of the system, and payment service providers, however, without prejudice to Art. 7.

9. Payment transactions related to securities asset servicing, including dividends and other distributions, such as from redemption or sale, carried out by persons referred to in Point 8 or by investment firms, authorised to trade and provide services in financial instruments pursuant to the Act on Securities Transactions, or by securities and investment funds.

10. Support services for payment services provided by technical service providers, without them entering at any time into ownership of the funds to be transferred, including processing and storage of data, trust and privacy protection services, data and entity authentication, information technology (IT) and communication network vendors, and provision and maintenance of terminals and devices used for payment services.

11. Services based on instruments that can be used to acquire goods or services only on the issuer's premises or under a commercial agreement with the issuer, either within a limited network of service providers or for a limited range of goods or services.

12. Payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used in such a device, provided that the device operator does not act only as an intermediary between the payment service user and the supplier of the goods and services.


13. Payment transactions carried out between payment service providers, their agents or branches for their own account.

14. Payment transactions between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking, implemented through the intermediation of a payment service provider or providers belonging to the same group.

15. Services in connection with cash withdrawal from automated teller machines representing one or more card issuers, where the service provider is not a party to the framework contract with the customer withdrawing money from a payment account. This does not apply, however, if the service provider conducts other services considered payment services in the understanding of Art. 4.


Art. 3

Derogation prohibited

 No contractual derogations may be made from the provisions of this Act which would be unfavourable to payment service users, unless specifically authorised by the Act.

Art. 4

Payment services

 For the purposes of this Act, payment services shall mean:

1. Services enabling cash to be deposited to a payment account as well as all operations required for operating a payment account.

2. Services enabling cash withdrawals from a payment account as well as all operations required for operating a payment account.

3. Execution of payment transactions, including transfers of funds into and out of a payment account with the user's payment service provider or with another payment service provider:

- a. execution of direct debits, including one-off direct debits,
- b. execution of payment transactions using a payment card or similar device,

- c. execution of credit transfers, including standing orders.
- 4. Execution of payment transactions where the funds are covered by a credit line for the payment service user:
 - a. execution of direct debits, including one-off direct debits,
 - b. execution of payment transactions using a payment card or similar device,
 - c. execution of credit transfers, including standing orders.
- 5. Issuing and/or acquiring of payment instruments.
- 6. Money remittance.
- 7. Execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, who acts only as an intermediary between the payment service user and the supplier of the goods and services.

Art. 5

Payment service providers

☐ Only payment service providers are authorised to provide payment services in Iceland, and provided they have the required authorisation from the authorities in Iceland or in another Member State.

Art. 6

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¹⁾ Act No. 17/2013, Art. 47.

Art. 7

Access to payment systems

☐ Payment service providers shall be authorised to participate in payment systems, as provided for in the second and third paragraphs, cf. however, the fourth paragraph.

☐ Rules on access to payment systems must be objective, non-discriminatory and proportionate. They may not inhibit access more than is necessary to safeguard against specific risks, such as settlement risk, operational risk or business risk, and to protect the financial and operational stability of the payment system.

☐ Payment systems may not involve requirements on payment service providers, payment service users or other payment systems which:

- a. restrict their active participation in other payment systems,
- b. discriminate between payment service providers with regard to participants' rights, obligations or authorisations, or
- c. apply restrictions based on institutional status.

☐ The provisions of the first to third paragraphs shall not apply to:

- a. payment systems which have been approved and notified to the EFTA Surveillance Authority as provided for in Act No. 90/1999, on Security of Payment Instructions in Payment Systems,
- b. payment systems where participation is limited to payment service providers who belong to a specific group, or
- c. payment systems where a payment service provider, whether a single entity or a group, cf. subparagraph b:
 - 1. acts or can act as the payment service provider for both the payer and the payee and is exclusively responsible for the management of the system, and
 - 2. licenses other payment service providers to participate in the system and the fee for participation is non-negotiable but participants may determine their own pricing towards payers and payees.

☐ The Minister make lay down detailed provisions in a Regulation on the implementation of this provision, including for supervision.

Art. 8

Definitions

☐ For the purposes of this Act the following meanings shall apply:

1. *Member State*: A state which is party to the Agreement on a European Economic Area or the European Free Trade Association (EFTA) Treaty or the Faroe Islands.
2. *Direct debit*: a payment service for debiting a payer's payment account, where the payee initiates payment, on the basis of the payer's consent given to the payee, to the payee's payment service provider or to the payer's own payment service provider.
3. *Means of distance communication*: Any means which can be used for the conclusion of a payment services contract between a payment service provider and payment service user without the simultaneous physical presence of both.
4. *Funds*: Banknotes and coins, a positive balance on a payment account and electronic money, as defined in [the Act on the Issuance and Handling of Electronic Money].¹⁾
5. *Value date*: A reference time used by a payment service provider for the calculation of interest on the funds debited from or credited to a payment account.
6. *Payer*: A natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who gives a payment order.
7. *Payment transaction*: An act, initiated by the payer or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee;
8. *Payment order*: Any instruction by a payer or payee to his/her payment service provider requesting the execution of a payment transaction.
9. *Payment system*: A funds transfer system with formal and standardised arrangements and common rules for the processing, clearing and/or settlement of payment transactions.
10. *Payment instrument*: Any personalised device and/or set of procedures agreed between the payment service user and the payment service provider and used by the user in order to initiate a payment order.
11. *Payment account*: An account held in the name of one or more payment service users which is used for the execution of payment transactions.
12. *Payment institution*: A legal entity that has been granted authorisation in accordance with Chapter II to operate payment services in Iceland or in another state of the European Economic Area.
13. *Payment services*: Any service referred to in Art. 4.
14. *Payment service provider*:
 - a. An undertaking licensed to accept deposits or other repayable funds from the general public and to grant loans on own account.
 - b. An electronic money undertaking.
 - c. A postal operator licensed under national laws on postal services.
 - d. The European Central Bank (ECB) and national central banks in the European Economic Area when not acting in their capacity as a public monetary authority.

- e. Public authorities, if the payment services are not connected to their role as such.
- f. Money and asset remittance services, as referred to in the Act on Measures to Combat Money Laundering and Terrorist Financing, which fulfil the requirements of Chapter II.
- g. A payment institution as referred to in Chapter II.

15. *Payment service user*: a natural or legal entity making use of a payment service in the capacity of either payer or payee, or both;

16. *Consumer*: A natural person who, in payment service contracts, is acting for purposes other than his/her profession or business.

17. *Money remittance*: A payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee.

18. *Framework contract*: A payment service contract which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.

19. *Group*: A group as defined by the Act on Annual Financial Statements.

20. *Authentication*: A procedure which allows the payment service provider to verify the use of a specific payment instrument, including its personalised security features.

21. *Unique identifier*: a combination of letters, numbers or symbols allocated to the payment service user by the payment service provider which must be used in executing a payment transaction to identify unambiguously the payment service user and/or the user's payment account.

22. *Low-value payment instrument*: A payment instrument which, according to the framework contract, concerns only individual payment transactions that do not exceed the equivalent of EUR 30 in ISK, based on the official reference rate (buying rate) as quoted in each instance, or that either has a spending limit equivalent to EUR 150 in ISK, based on the official reference rate (buying rate) as quoted in each instance, or stores funds that do not exceed the equivalent of EUR 150 in ISK, based on the official reference rate (buying rate) as quoted in each instance.

23. *Initial capital*:

- a. Paid-up capital which is considered own funds in those Acts which apply to the legal form of the payment institution, plus the share premium account but net of the total amount of preferred shares, and
- b. mandatory reserves and retained earnings.

24. *Branch*: A place of business other than the head office which is a part of a payment institution, which has no independent legal personality and which carries out directly some or all of the payment transactions inherent in the business of a payment institution. All places of business set up in the same Member State of the European Economic Area shall be regarded as a single branch if the head office of the payment institution is in another Member State of the European Economic Area.

25. *Durable medium*: Any instrument which enables the payment service user to store information addressed personally to him/her in a way accessible for future reference for a period of time adequate to the purposes of the information and which allows the copying of the information stored.

26. *Reference exchange rate*: The exchange rate which is used as a basis for calculation in foreign currency transactions and is available from the payment service provider or is publicly available.

27. *Reference interest rate*: The interest rate which is used as the basis for calculating interest and which comes from a publicly available source which can be verified by both parties to a payment service contract.

28. *Payee*: A natural person or legal entity who is the intended recipient of funds which have been the subject of a payment transaction.

29. *Business day*: A day when the payment service provider of the payer or of the payee involved in the payment transaction is open for business as required for the execution of a payment transaction.

¹⁾Act No. 17/2013, Art. 47.

Chapter II

Payment institutions Money and asset remittance services

A. Establishment and financial basis

Art. 9

Legal form and headquarters

☐ A payment institution must operate as a legal entity.

☐ A payment institution which has been licensed to operate as provided for in Art. 15 must have its headquarters in Iceland.

Art. 10

Initial capital

☐ The initial capital of a payment institution shall at all times reflect the payment services referred to in Art. 4 provided by the payment institution.

☐ The initial capital of a payment institution must at all times amount to a minimum:

a. equivalent to EUR 20,000 in ISK, based on the official exchange rate (buying rate) as currently quoted, if the payment institution provides only payment services as referred to in Point 6 of Art. 4;

b. equivalent to EUR 50,000 in ISK, based on the official exchange rate (buying rate) as currently quoted, if the payment institution provides payment services as referred to in Point 7 of Art. 4;

c. equivalent to EUR 125,000 in ISK, based on the official exchange rate (buying rate) as currently quoted, if the payment institution provides payment services as referred to in Points 1-5 of Art. 4.

☐ [The initial capital of a payment institution shall be comprised of those factors listed in the fifth paragraph of Art. 84 of Act No. 161/2002, on Financial Undertakings]¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 11

Own funds

☐ A payment institution's own funds, as defined by the Act on Financial Undertakings, may not at any time fall below the amount provided for in Articles 10 or 12, whichever is the higher.

☐ A payment institution which belongs to a group including another payment institution, financial undertaking or insurance company may only include asset items once as own funds. The same shall apply if a payment institution pursues other activities than providing payment services as referred to in Art. 4.

Art. 12

Calculation of a payment institution's own funds

☐The own funds of a payment institution shall be calculated in accordance with one of the three methods described in the second to fifth paragraphs as determined by the Financial Supervisory Authority.

☐Method A: The payment institution's own funds shall amount to at least 10% of its fixed overhead during the past 12 months. The Financial Supervisory Authority may adjust this decision if there are major changes in the payment institution's operations. If a payment institution has not completed a full year of operation when calculation of own funds is made, its own funds shall amount to at least 10% of the corresponding fixed overhead as projected in its operating budget, unless the Financial Supervisory Authority demands that this budget be altered.

☐Method B: The payment institution's own funds shall amount to at least the sum of the following items multiplied by the scaling factor k , as defined in the fifth paragraph, where the payment volume (PV) represents one-twelfth of the total amount of payment transactions during the past 12 months:

- a. 4.0% of PV up to the equivalent of EUR 5 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;
- b. 2.5% of PV equivalent to EUR 5 million and up to the equivalent of EUR 10 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;
- c. 1% of PV equivalent to EUR 10 million and up to the equivalent of EUR 100 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;
- d. 0.5% of PV equivalent to EUR 100 million and up to the equivalent of EUR 250 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;
- e. 0.25% of PV above the equivalent of EUR 250 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance.

☐Method C: The amount of the payment institution's own funds shall be at least the relevant indicator defined in subparagraph a, multiplied by the multiplication factor defined in subparagraph b and by the scaling factor k defined in the fifth paragraph:

- a. The relevant indicator is the sum of the following items:
 1. interest income,
 2. interest expense,
 3. fees and commissions received, and
 4. other operating income.
- b. Each item shall be included in the sum with its positive or negative sign. Income from extraordinary items may not be included in calculation of the relevant indicators. Expenditure in connection with the outsourcing of services rendered by third parties may reduce the relevant indicator if the undertaking incurring the expenditure is an entity subject to supervision as referred to in this Act. The relevant indicator is calculated on the basis of the last financial year. The relevant indicator shall be calculated over the last financial year. Nonetheless, own funds calculated in accordance with Method C may not be less than 80% of the average of the three previous operating years for the relevant indicator. If audited figures are not available, the payment institution's own estimates may be used.

c. The multiplication factor shall be:

1. 10% of that portion of the relevant indicator up to the equivalent of EUR 2.5 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;

2. 8% of that portion of the relevant indicator equivalent to EUR 2.5 million and up to the equivalent of EUR 5 million in ISK , based on the official reference exchange rate (buying rate) as quoted in each instance;

3. 6% of that portion of the relevant indicator equivalent to EUR 5 million and up to the equivalent of EUR 25 million in ISK , based on the official reference exchange rate (buying rate) as quoted in each instance;

4. 3% of that portion of the relevant indicator equivalent to EUR 25 million and up to the equivalent of EUR 50 million in ISK , based on the official reference exchange rate (buying rate) as quoted in each instance;

5. 1.5% of that portion of the relevant indicator above the equivalent of EUR 50 million in ISK, based on the official reference exchange rate (buying rate) as quoted in each instance;

☐The scaling factor k , which shall be used in Methods B and C, cf. the third and fourth paragraphs, shall be:

a. 0.5 if the payment institution provides only the payment service referred to in Point 6 of Art. 4;

b. 0.8 if the payment institution provides only the payment service referred to in Point 7 of Art. 4;

c. 1 if the payment institution provides only the payment services referred to in Points 1-5 of Art. 4.

☐The Financial Supervisory Authority may, based on an evaluation of the risk management processes, a risk-of-loss database and the internal control mechanisms of the payment institution, require the payment institution to hold own funds up to 20% higher than the amount which results from applying the method selected in accordance with the first paragraph. On the same basis, the Financial Supervisory Authority may authorise an amount of own funds for a payment institution which is up to 20% lower than the amount resulting from applying the method selected in accordance with the first paragraph.

☐The Financial Supervisory Authority may adopt detailed rules in accordance with this provision.

B. Operating license

Art. 13

Operating license

☐Parties other than those listed in subparagraphs a-f of Point 14 of Art. 8, who intend to provide payment services must obtain a license to operate as a payment institution. The operating license shall cover one or more types of payment services as defined in this Act.

☐The Financial Supervisory Authority shall grant operating licenses to payment institutions as provided for in this Act. A payment institution is authorised to provide payment services once it has obtained an operating license.

☐[The operating license shall be valid in all states of the European Economic Area.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 13 a

List of payment institutions

☐The Financial Supervisory Authority shall keep a register of payment institutions as referred to in this Act. This register shall list the principal information on the payment institutions, such as concerning their operating licenses and, as appropriate, their agents and branches.

☐The general public shall have access to the Financial Supervisory Authority's register of payment institutions.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 14

Application for an operating license and ongoing information disclosure

☐An application for an operating license shall be submitted to the Financial Supervisory Authority. Such application must be made in writing and in detail. The application must give an account of the activities which are to be pursued and how this will be carried out. The applicant must, by providing the necessary documentation, demonstrate the capacity of the legal entity seeking an operating license to operate a payment institution as provided for in the provisions of this Act.

☐The Financial Supervisory Authority shall adopt rules concerning the information which must be specified in an application, and the supporting documentation necessary for the application to be considered satisfactory.

☐A payment institution which has been licensed to operate as provided for in Art. 15 must notify the Financial Supervisory Authority without delay of any changes to information previously provided in accordance with the first paragraph in connection with an application for an operating license.

Art. 15

Requirements for an operating license

Notification of the granting or refusal of an operating license

☐An operating license shall be granted if the applicant demonstrates, in the assessment of the Financial Supervisory Authority, a clear organisational structure for its payment services, satisfactory procedures to ensure sound and prudent operations and adequate internal control mechanisms for its methods of governance, risk management arrangements and accounting procedures, in accordance with detailed rules set by the Financial Supervisory Authority.

☐The requirements made of the applicant as referred to in the first paragraph shall be proportionate to the nature and scope of the payment services it proposes to provide.

☐In assessing an application for an operating license the Financial Supervisory Authority may seek the advice of the Central Bank of Iceland or other appropriate public authorities.

☐The Financial Supervisory Authority may require the establishment of a separate entity for payment services activities, as referred to in Art. 4, if the payment institution pursues other activities parallel to its payment services and that part of its operations affects the payment institution's financial soundness or makes supervision of the institution difficult.

☐The Financial Supervisory Authority shall refuse to grant an operating license if it considers shareholders or owners of qualifying holdings unsuitable, having regard to the sound and prudent management of the payment institution.

☐An operating license shall not be granted if close links between the payment institution and individuals or legal entities impede supervision of its activities by the Financial Supervisory Authority. The same applies if Acts or Regulations which apply to such connected parties impede supervision. For the purpose of this Act, close links shall mean close links as defined in the Act on Financial Undertakings.

☐...¹⁾

☐If an application for an operating license satisfies the requirements of this Act, in the assessment of the Financial Supervisory Authority, the Financial Supervisory Authority will grant an operating license. Otherwise the Financial Supervisory Authority shall refuse the operating license, giving grounds for so doing.

☐The decision of the Financial Supervisory Authority to grant or refuse an operating license shall be notified to the applicant no later than three months after receipt of a complete application.

☐[The provisions of Act No. 161/2002, on Financial Undertakings, shall apply to assessment of the eligibility of parties to exercise a qualifying holding in a payment institution and

assessment of the eligibility of an owner of a qualifying holding as appropriate. The Financial Supervisory Authority shall adopt detailed criteria regarding the information which must be specified in a notification.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 16

Withdrawal of an operating license

☐The Financial Supervisory Authority may withdraw a payment institution's operating license in full or in part if:

a. the payment institution does not make use of its operating license within 12 months, expressly relinquishes the license or ceases operations for a continuous period of over six months;

b. the operating license has been obtained through incorrect information or by other irregular means;

c. the payment institution no longer fulfils the requirements for granting of the license;

d. continuing operation of payment services by the payment institution would threaten the stability of the payment system;

e. the activities of the payment institution are subject to another provision of national law providing for the withdrawal of the operating license; or

f. the payment institution in other respects seriously or repeatedly violates this Act or rules adopted by virtue of it.

☐Before a withdrawal is effected as referred to in the first paragraph, the payment institution shall be granted a suitable time limit to rectify the situation, if such is possible in the estimation of the Financial Supervisory Authority. This shall not apply, however, to subparagraph a of the first paragraph.

☐Withdrawal of a payment institution's operating license shall be notified to its Board of Directors and grounds provided in writing. The Financial Supervisory Authority shall publish an announcement in the Legal Gazette (Icel. *Lögbirtingarblaðið*) and advertise in the media. A notification shall furthermore be sent to the competent authorities in those states where the payment institution concerned operates a branch or provides payment services through the intermediation of an agent.

Art. 17

Good business practice and confidentiality

☐A payment institution must follow normal and sound business practice and customs. [The Financial Supervisory Authority shall adopt rules as to what is considered normal and sound business practice and customs.]¹⁾

☐The Board of Directors, managing director, auditors, employees and any person undertaking any work on behalf of the enterprise shall be subject to an obligation of confidentiality as provided for in the Act on Financial Undertakings.

¹⁾Act No. 17/2013, Art. 47.

C. Authorised activities

Art. 18

Preservation of funds

☐Funds which have been received from users of payment services or from other payment services providers in connection with concluding payment transactions shall be kept clearly segregated from the own funds of a payment service provider, including a payment institution, and funds owned by anyone other than users of payment services.

☐ Funds as referred to in the first paragraph shall be considered [proprietary claims]¹⁾ in the estate of the payment service provider in the event of insolvency. They shall be ranked in priority with reference to Art. 109 of Act No. 21/1991, on Bankruptcy etc., provided the owner of the funds proves its entitlement to them.

☐ [The Financial Supervisory Authority shall adopt detailed rules on secure preservation of funds as provided for in this Article.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 19

Other activities

☐ A payment institution may engage in other activities in addition to payment services if they are closely related to the activities or operation of payment services, such as services for execution of payment transactions, foreign exchange transactions, asset safekeeping activities and data processing. Furthermore, a payment institution may operate payment systems.

☐ A payment institution may hold payment accounts exclusively for executing payment transactions.

☐ Funds which a payment institution receives from payment service users in connection with the provision of payment services shall not constitute a deposit, repayable funds from the public or electronic money.

☐ A payment institution may not accept deposits or other repayable funds from the public as defined by the Act on Financial Undertakings.

☐ In connection with the provision of payment services as provided for in Points 4, 5 and 7 of Art. 4, a payment institution may grant credit, provided the institution's own funds satisfy the requirements of this Act and are, in the estimation of the Financial Supervisory Authority, appropriate in view of the overall amount of credit granted. Credit may only be granted in connection with the execution of payment transactions. Credit may not be granted from the funds received or held for the purpose of executing a payment transaction. The repayment period for cross-border credit granted may not exceed 12 months. The Financial Supervisory Authority may adopt detailed rules on credit granted by a payment institution.

☐ The Financial Supervisory Authority may prohibit a payment institution in part or in full from pursuing activities referred to in this Article. The provisions of the first and second paragraphs of Art. 16 shall apply to such a prohibition.

D. Board of Directors Accounts and auditing

Art. 20

Eligibility of directors, managing directors and other manager

☐ The rules on eligibility of the Act on Financial Undertakings shall apply as applicable concerning the eligibility of directors, managing directors and other persons in the management structure of a payment institution.

☐ A payment institution must notify the Financial Supervisory Authority of the composition of and subsequent changes to the institution's Board of Directors and management; such notifications must be accompanied by adequate information to enable an assessment as to whether the requirements of the first paragraph are satisfied.

Art. 21


Accounting and statutory audit


☐ A payment institution's financial year shall be the calendar year. In other respects the Act on Financial Undertakings shall apply to the accounting and auditing of payment institutions and the obligation of auditors to report to the Financial Supervisory Authority.


E. Supervision

Art. 22

The Financial Supervisory Authority shall supervise the activities of payment institutions, including agents, branches and entities to which activities are outsourced, which are covered by the provisions of this Chapter, unless otherwise provided for by law or international agreements to which Iceland is a party. Supervision shall be as provided for in this Act and the Act on Official Supervision of Financial Activities.

 The Financial Supervisory Authority shall co-operate with competent authorities in Member States in carrying out supervision of the activities of agents, branches and entities to which activities are outsourced by payment institutions which have been granted an operating license pursuant to this Act in those states.

 The Financial Supervisory Authority shall notify the competent authorities in advance if it intends to carry out an inspection abroad of an establishment of a payment institution which has been granted an operating license pursuant to this Act. Such an inspection shall be carried out in collaboration with competent authorities in the state in question. On the other hand, should the Financial Supervisory Authority so request, it may entrust such an inspection to the competent authorities in the state in question.

 The Financial Supervisory Authority shall, at the request of competent authorities in Member States, provide relevant information on payment institutions which have been granted an operating license pursuant to this Act, in particular where violations or suspected violations by an agent, branch or entities to which activities have been outsourced are concerned. Important information furthermore should be sent at the initiative of the Financial Supervisory Authority to competent authorities in the states where a payment institution which has been granted an operating license pursuant to this Act has activities or where it has outsourced activities.


[F. Providing cross-border services


*with or without the establishment of a branch or through an agent]*¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 23

[Activities of domestic payment institutions abroad without the establishment of a branch


 If a payment institution intends to provide services pursuant to this Act in another Member State without establishing a branch it must notify the Financial Supervisory Authority thereof in advance. Such notification must include the name and address of the undertaking, which Member State is concerned and what the proposed payment services will involve. Within one month of receipt of such notification the Financial Supervisory Authority shall forward the information to the competent authorities in the Member State concerned together with a confirmation that the services to be provided are covered by the undertaking's operating license.

 When the Financial Supervisory Authority has sent a notification as referred to in the first paragraph, it shall record the relevant information in a register of payment service providers, as provided for in Art. 13 a.)¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 a

*Activities of domestic payment institutions abroad
through the establishment of a branch*

 If a payment institution intends to provide services pursuant to this Act in another Member State by establishing a branch it must notify the Financial Supervisory Authority thereof in advance. The notification shall state what Member State is concerned, what the proposed payment services shall involve, the name and address of the undertaking, the name of persons

responsible for management of the branch, the states where the branch intends to provide services and its organisation. Within one month of receipt of such notification the Financial Supervisory Authority shall forward the information to the competent authorities in the Member State concerned together with a confirmation that the services to be provided are covered by the undertaking's operating license.

☐When the Financial Supervisory Authority has sent a notification as referred to in the first paragraph, it shall record the relevant information in a register of payment service providers, as provided for in Art. 13 a.

☐If the Financial Supervisory Authority receives notification from competent authorities in another Member State, where a payment institution has requested to be able to provide services through the establishment of a branch, which have valid reasons for expecting that the establishment of the branch could increase the risk of money laundering or terrorist financing, the Financial Supervisory Authority may refuse to enter information on the branch in its register, as provided for in Art. 13 a, or withdraw the registration if it has been made.

☐The payment institution must ensure that a branch providing payment services on its behalf informs users of its services of this fact.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 b

Providing services abroad through an agent

☐A payment institution requesting to provide payment services in another Member State through the intermediation of an agent must notify the Financial Supervisory Authority thereof in advance. The notification must include the information referred to in the first paragraph of Art. 23 g, as well as information on what Member State is concerned and what the proposed activities will involve.

☐Within one month of receipt of such notification the Financial Supervisory Authority shall send the competent authorities in the state concerned the information referred to in the first paragraph together with a confirmation that the services to be provided are covered by the undertaking's operating license and a request for an opinion.

☐When the Financial Supervisory Authority has sent a notification as referred to in the second paragraph, it shall record the relevant information in the register provided for in Art. 13 a.

☐If the Financial Supervisory Authority receives notification from competent authorities in another Member State, where a payment institution has requested to be able to provide services through the intermediation of an agent, which have valid reasons for expecting that money laundering or terrorist financing is occurring, has taken place or is being planned, or that the agent's appointment could increase the risk of money laundering or terrorist financing, the Financial Supervisory Authority may refuse to enter information on the agent in its register, as provided for in Art. 13 a, or withdraw the registration if it has been made.

☐The payment institution must ensure that an agent providing payment services on its behalf informs users of its services of this fact.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 c

Services of a payment institution within the EEA without establishing a branch

☐A foreign payment institution, which is established and licensed to operate in another state of the European Economic Area, may provide payment services pursuant to this Act in Iceland without establishing a branch.

☐Swiss and Faroese payment institutions may provide payment services as referred to in this Article, provided the same requirements are made of them as of payment institutions established in a Member State of the European Economic Area and a co-operation agreement

has been concluded between the Financial Supervisory Authority and the competent Swiss or Faroese authorities.

☐A foreign payment institution as referred to in the first and second paragraphs may provide services in Iceland when notification satisfying the requirements of the fourth paragraph has been received by the Financial Supervisory Authority from the competent authority of the Member State.

☐The notification must state the name and address of the undertaking, what type of payment services the undertaking intends to provide and confirmation that these services are covered by the undertaking's operating license.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 d

Activities outside the European Economic Area

☐If a payment institution intends to provide services pursuant to this Act in a state outside the European Economic Area, it must notify the Financial Supervisory Authority thereof in advance. Such notification must include the name and address of the undertaking, what state is concerned and what the proposed services will involve as well as other information required by the Financial Supervisory Authority in this regard.

☐The Financial Supervisory Authority may prohibit activities as referred to in the first paragraph if it has legitimate reason to expect that the management or financial situation of the payment institution concerned is not sufficiently sound. The undertaking shall be notified of the Financial Supervisory Authority's decision as promptly as possible.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 e

Services of a payment institution within the EEA by establishing a branch

☐A foreign payment institution, which is established and licensed to operate in another state of the European Economic Area, may provide payment services pursuant to this Act in Iceland by establishing a branch.

☐Swiss and Faroese payment institutions may provide payment services as referred to in this Article, provided the same requirements are made of them as of payment institutions established in a Member State of the European Economic Area and a co-operation agreement has been concluded between the Financial Supervisory Authority and the competent Swiss or Faroese authorities.

☐A foreign payment institution as referred to in the first and second paragraphs may provide payment services in Iceland when notification satisfying the requirements of the fourth paragraph has been received by the Financial Supervisory Authority from the competent authority of the Member State.

☐The notification must state the name and address of the undertaking, what type of payment services the undertaking intends to provide, confirmation that the services to be provided are covered by the undertaking's operating license, the names of persons responsible for management of the branch and its organisation.

☐If the Financial Supervisory Authority has valid grounds for suspecting that money laundering or terrorist financing is occurring, has taken place or is being planned, or that the establishment of the branch could increase the risk of money laundering or terrorist financing, the Financial Supervisory Authority shall notify the competent authorities in the home state thereof. Should the competent authorities of the home state decide to refuse or withdraw registration following such notifications, the branch in question may not provide payment services in Iceland thenceforth.

☐A branch which provides services on behalf of a foreign payment institution shall inform payment services users of this fact.

☐ Provisions of the Public Limited Companies Act concerning branches of foreign limited companies shall not apply to branches as referred to in the first paragraph.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 f

Services or establishment of a branch of a payment institution outside the EEA

☐ The Financial Supervisory Authority may authorise a payment institution established in a state outside the European Economic Area to provide services or open a branch in Iceland. The requirements for granting such authorisation is that the undertaking hold an operating license for activities in its home state similar to that which it intends to pursue in Iceland and that these activities are subject to similar supervision in its home state.

☐ If the Financial Supervisory Authority grants an authorisation as provided for in the first paragraph, the Authority must send notification thereof to the EFTA Surveillance Authority.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[G. Agents]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[Art. 23 g

Providing services through an agent

☐ A payment institution intending to provide payment services through the intermediation of an agent must send notification thereof to the Financial Supervisory Authority in advance. The notification must be accompanied by information on the name and address of the agent and a description of internal control mechanisms which must, among other things, satisfy requirements of the Act on Actions to Combat Money Laundering and Terrorist Financing, as well as information and documentation necessary to demonstrate that management satisfies eligibility requirements in the estimation of the Financial Supervisory Authority.

☐ The Financial Supervisory Authority shall record agents in a register, as referred to in Art. 13 a, after receiving the information provided for in the first paragraph. Should the Financial Supervisory Authority consider there to be any doubt as to the accuracy of the information, it shall take action to verify it. The Financial Supervisory Authority shall refuse to enter an agent in its register of payment institutions if, in its estimation, it is unverified that the information referred to in the first paragraph is accurate.

☐ If the Financial Supervisory Authority considers the information incorrect or incomplete, it may refuse registration, in which case the payment institution may not use the agent concerned thenceforth.

☐ A payment institution may provide payment services through an agent acting on its behalf after the Financial Supervisory Authority has entered it in its register as provided for in Art. 13 a.

☐ If a payment institution requests to provide payment services in another Member State through an agent, this shall be subject to Art 23 b.]¹⁾

¹⁾Act No. 17/2013, Art. 47.

[H. Outsourcing]¹⁾

¹⁾Act No. 17/2013, Art. 47.

Art. 24

Outsourcing

☐ A payment institution which intends to outsource operational functions of payment services, must notify the Financial Supervisory Authority thereof in advance.

☐ Outsourcing of important operational functions may not be allowed to impair materially the quality of the payment institution's internal controls or the implementation of this Act. An operational function shall be considered important if a defect or failure in its performance

would materially impair the ability of a payment institution to satisfy the requirements of its operating license or obligations under this Act, its financial performance, or the soundness or the continuity of the payment services concerned.

☐The Financial Supervisory Authority shall adopt detailed rules as to how a payment institution may arrange outsourcing of important operational functions.

[I.]¹⁾ Miscellaneous

¹⁾Act No. 17/2013, Art. 47.

Art. 25

Liability

☐A payment institution shall be liable for damages which may be attributed to acts of its employees, agents, branches or parties to whom operational functions of payment services have been outsourced.

☐A payment institution which depends upon third parties for the performance of specific operational functions must take suitable measures to ensure compliance with this Act.

Art. 26

Record-keeping

☐A payment institution must preserve all appropriate records concerning this Chapter for a minimum of five years.

[J.]¹⁾ Money and asset remittance services

¹⁾Act No. 17/2013, Art. 47.

Art. 27

Money and asset remittance services, as referred to in the Act on Measures to Combat Money Laundering and Terrorist Financing, may provide payment services as referred to in Point 6 of Art. 4, if they satisfy the requirements of the second to fourth paragraphs.

☐The total amount of payment transactions carried out by a money and asset remittance service on the basis of this Act in a single month may not exceed the equivalent of EUR 3 million in ISK, based on the official exchange rate (buying rate) as quoted in each instance. The Financial Supervisory Authority may prescribe a lower reference amount than stated in the first paragraph.

☐The provisions of this Chapter shall apply to money and asset remittance services as referred to in the first paragraph, with the exception of the provisions of Articles 10-12, [the third paragraph of Art. 13],¹⁾ the fifth paragraph of Art. 19, the second to fourth paragraphs of Art. 22, [Art. 23, Articles 23 a-f]¹⁾ and Art. 24.

☐The Financial Supervisory Authority may adopt detailed rules on the requirements for money and asset remittance services to provide payment services.

¹⁾Act No. 17/2013, Art. 47.

Chapter III

Information disclosure and transparency in providing payment services

A. General provisions

Art. 28

Scope of the Chapter

☐Provisions of this Chapter shall apply to single payment transactions, framework contracts and payment transactions covered by them.

☐Full or partial derogations may be made from the provisions of this Chapter in a contract if the payment service user is not a consumer.

☐The provisions of Articles 35-38 shall apply only to disclosure and transparency in providing payment services in the case of single payment transactions which are not covered by framework contracts.

☐The provisions of Articles 39-46 shall apply only to disclosure and transparency in providing payment services in the case of payment transactions covered by framework contracts.

☐When Act No. 33/2005, on Distance Marketing of Financial Services, also applies, the following provisions of Chapter II of that Act, on information disclosure to consumers before they are obliged by a remote sales contract or bid, shall be subordinate to provisions in Articles 35, 36, 39 and 40 of this Act: Art. 5 and Points 1 and 3 of Art. 6; Points 3-4 and 6-7 of Art. 7; and Point 1 of Art. 8.

Art. 29

Exemptions from information disclosure requirements for low-value payment instruments

☐The Minister may provide in a Regulation for exemptions from the information disclosure requirements of this Chapter in the case of low-value payment instruments.

Art. 30

Onus of proof of a payment service provider

☐A payment service provider bears the onus of proof to demonstrate that it has satisfied the information disclosure requirements in this Chapter.

Art. 31

Charges for information disclosure

☐A payment service provider may not charge the user of payment services a fee for provision of information under this Chapter.

☐Parties may agree on charges for additional or more frequent information, or transmission by means of communication other than those specified in the framework contract, provided this is at the payment service user's request and that the charge is appropriate and in line with the payment service provider's actual costs.

Art. 32

Currency and currency conversion

☐Payment transaction shall be in the currency which the parties have agreed on.

☐If currency conversion is offered before a payment transaction takes place, and if this service is offered at the place of sale or by the payee, the party offering the payer services shall provide him/her with all information on charges and the exchange rate to be used in converting the payment. The payer shall approve the service for converting currency on this basis.

Art. 33

Use of a specific payment instrument

☐If the payee offers a reduction for use of one specific payment instrument rather than others, it must inform the payer thereof prior to executing the payment transaction.

☐If a payment service provider charges a fee for the use of a specific payment instrument it must notify the payment service user thereof prior to executing the payment transaction.

Art. 34

*Special provisions on payment orders for single payment transactions
sent using a payment instrument covered by a framework contract*

☐ When a payment order for a single payment transaction is transmitted by a payment instrument covered by a framework contract, the payment service provider shall not be obliged to provide or make available information which the payment service user has already received on the basis of a framework contract with another payment service provider or which will be given to the user in accordance with such a framework contract.

B. Single payment transactions not covered by a framework contract

Art. 35

General information disclosure before a contract or offer for a single payment transaction becomes binding on the payment service user

☐ Before a payment service user is bound by any single payment service contract or bid, the payment service provider must make available to the payment service user the information and conditions referred to in Art. 36 in an easily accessible manner.

☐ At the payment service user's request the information and condition shall be provided on paper or other durable medium.

☐ The information and conditions shall be given in a clear and comprehensible form, in Icelandic or in any other language agreed between the parties.

☐ If the single payment service contract has been concluded at the request of the payment service user using a means of distance communication which does not enable the payment service provider to comply with the first to third paragraphs, the payment service provider shall fulfil its obligations according to those provisions immediately after the execution of the payment transaction

☐ The obligations of the first to third paragraphs may also be discharged by supplying a copy of the draft single payment service contract or the draft payment order including the information and conditions to be provided to the user pursuant to this Act.

Art. 36

Information and conditions of service in connection with single payment transactions

☐ The following information and conditions must be provided or made available to the payment service user:

- a. a specification of the information or unique identifier that has to be provided by the payment service user in order for a payment order to be properly executed;
- b. the maximum execution time for the payment service to be provided;
- c. all charges payable by the payment service user to his/her payment service provider and, where applicable, a breakdown of the amounts of any charges;
- d. where applicable, the actual or reference exchange rate to be applied to the payment transaction;
- e. where applicable, relevant information and conditions listed in Art. 40.

Art. 37

*Information for the payer after receipt of the payment order
for a single payment transaction*

☐ The payment service provider shall deliver or make accessible to the payer the following information in the manner provided for in the first to third paragraphs of Art. 35 immediately after receipt of a payment order:

- a. a reference enabling the payer to identify the payment transaction and, where appropriate, information relating to the payee;
- b. the amount of the payment transaction in the currency used in the payment order;

- c. the amount of any charges for the payment transaction payable by the payer and, where applicable, a breakdown of the amounts of such charges;
- d. where applicable, the exchange rate used in the payment transaction by the payment service provider or a reference thereto, when the rate is different from that provided for in subparagraph d of Art. 36, and the amount of the payment transaction after that currency conversion; and
- e. the date of receipt of the payment order.

Art. 38

Information for the payee after execution of a single payment transaction

☐ The payee's payment service provider shall deliver or make accessible to the payee the following information in the manner provided for in the first to third paragraphs of Art. 35 immediately after execution of a payment transaction:

- a. a reference enabling the payee to identify the payment transaction and, where appropriate, the payer and any information transferred with the payment transaction;
- b. the amount of the payment transaction in the currency in which the funds are at the payee's disposal;
- c. the amount of any charges for the payment transaction payable by the payee and, where applicable, a breakdown of the amounts of such charges;
- d. where applicable, the exchange rate used in the payment transaction by the payee's payment service provider, and the amount of the payment transaction before that currency conversion; and
- e. the credit value date.

C. Payment transactions covered by a framework contract

Art. 39

General information disclosure before a contract or offer for payment transactions under a framework contract becomes binding on the payment service user

☐ Before a payment service user is bound by a framework contract or offer for payment services, the payment service provider must make available to the user information and conditions as referred to in Art. 40 on paper or other durable medium.

☐ The information and conditions shall be given in a clear and comprehensible manner, in Icelandic or in any other language agreed between the parties.

☐ If the framework contract has been concluded at the request of the payment service user using a means of distance communication which does not enable the payment service provider to comply with the first and second paragraphs, the payment service provider shall fulfil its obligations according to those provisions immediately after the conclusion of the framework contract.

☐ The information disclosure obligation of the first and second paragraphs may also be discharged by supplying a copy of the draft framework contract including the information and conditions specified to in Art. 40.

Art. 40

Information and conditions of service in connection with payment transactions covered by framework contracts

☐ The following information and conditions shall be provided to the payment service user:

1. Regarding the payment service provider:
 - a. the name, address of the headquarters and relevant postal addresses, as well as similar information on agents and branches as applicable, and

b. the competent authority responsible for its supervision and, as applicable, information on the relevant public register of authorisation of the payment service provider and the registration number, or equivalent means of identification in that register.

2. Regarding use of the payment service:

- a. a description of the services concerned;
- b. a specification of the information or unique identifier that has to be provided by the payment service user in order for a payment order to be properly executed;
- c. how and in what form consent shall be given for execution of a payment transaction and withdrawal of such consent in accordance with Articles 49 and 61;
- d. on what point in time receipt of a payment order is based, cf. Art. 59, and the cut-off time, if any, established by the payment service provider;
- e. the maximum execution time for the payment services; and
- f. whether it is possible to determine spending limits for payment transactions executed using the payment instrument as referred to in the first paragraph of Art. 50.

3. Regarding charges, interest and exchange rates:

- a. all charges payable by the payment service user to the payment service provider and, where applicable, a breakdown of the amounts of any charges;
- b. where applicable, the interest and exchange rates to be applied or, if reference interest and exchange rates are to be used, the user shall be provided with information on the method of calculating the interest, and the relevant dates and index or base for determining such reference interest or exchange rate; and
- c. rules on changes to the reference interest or exchange rate, including the period of validity of such changes, as referred to in the second paragraph of Art. 42, if applicable.

4. Regarding communications and routes of communication:

- a. the means of communication, including the technical requirements for the payment service user's equipment, agreed between the parties for the transmission of information or notifications referred to in this Act;
- b. the manner in and frequency with which information pursuant to this Act is to be provided;
- c. the language of the framework contract and communications during the contractual relationship;
- d. the payment service user's right to receive the contractual terms of the framework contract and information and conditions as provided for in Art. 41.

5. Regarding safeguards and liability:

- a. where applicable, a description of measures that the payment service user is to take in order to ensure safekeeping of a payment instrument and how to notify the payment service provider as referred to in the third paragraph of Art. 51;
- b. the conditions under which the payment service provider reserves the right to block use of a payment instrument, as provided for in Art. 50, if so agreed;
- c. the liability of the payer, as referred to in Art. 56, including information on limits to liability;
- d. how and within what period of time the payment service user is to notify the payment service provider of unauthorised or incorrect payment transactions, as referred to in Art. 53, including information on the payment service provider's liability as referred to in Art. 55;
- e. the liability of the payment service provider for the execution of payment transactions as referred to in Art. 69; and
- f. conditions for refund, as referred to in Articles 57 and 58.

6. Regarding changes to and termination of a framework contract:
- a. if agreed, information that the payment service user will be considered to have accepted changes in the conditions of a framework contract, as referred to in Art. 42, unless notification to the contrary is received by the payment service provider before the changes enter into force;
 - b. the duration of the contract; and
 - c. the right of the payment service user to terminate the framework contract in accordance with the provisions of this Act.
7. Regarding resolution of disputes:
- a. what law applies to the framework contract, and
 - b. what options a payment service user has under Chapter V of this Act for resolution of disputes out-of-court and redress procedures.

Art. 41

*Information on and conditions of a framework contract
shall always be available to payment service users*

At any time during the contractual relationship the payment service user shall have a right to request and receive the contractual terms of the framework contract as well as the information and conditions specified in Article 40 on paper or on another durable medium.

Art. 42

Changes in the conditions of a framework contract

The payment service provider must present any proposals for changes to a framework contract, as well as to the information and conditions referred to in Art. 40, to the payment service user in the manner provided for in the first and second paragraphs of Art. 39 no later than two months prior to the proposed date of application of the changes. If agreed, cf. subparagraph a of Point 6 of Art. 40, the payment service provider shall notify the payment service user that he/she is considered to have accepted such changes if the payment service provider is not notified otherwise prior to the proposed date of application. If the payment service user may terminate the framework contract immediately without specific charge prior to the application of the proposed changes, the payment service provider must furthermore inform the user thereof.

Changes in the interest or exchange rates may be applied immediately and without notice if this has been agreed upon in the framework contract and the changes are based on a reference interest rate or reference exchange rate which has been agreed upon in accordance with subparagraphs b and c of Point 3 of Art 40. The payment service user shall be notified of all changes in the interest rate as promptly as possible in the same manner as provided for in the first and second paragraphs of Art. 39, unless the parties have agreed on a specific frequency or manner in which the information is to be provided or made accessible. However, interest rates or exchange rates may be altered without notice if such changes are favourable to the payment service user.

Changes in the interest or exchange rate used in payment transactions shall be implemented and calculated in a neutral manner that does not discriminate against payment service users.

Art. 43

Termination of a framework contract

A payment service user may terminate a framework contract at any time, unless the parties have agreed on a period of notice. Such a period of notice may not exceed one month.

Termination of a framework contract concluded for a fixed period or for an indefinite period shall be free of charge for the payment service user.

☐ If so agreed, the payment service provider may terminate a framework contract concluded for an indefinite period by giving at least two months' notice. The payment service user shall be informed of the termination in the manner specified in the first and second paragraphs of Art. 39.

☐ If an agreement has been reached on regular payments during the period of the contract for payment services under a framework contract, consideration shall be given proportionally to the date of effect of termination in collecting payments after the termination of the contract. If charges for payment services under a framework contract are paid in advance they shall be reimbursed to the user proportionally in consideration of the date of effect of termination.

Art. 44

Information disclosure before execution of individual payment transactions covered by a framework contract

☐ Where an individual payment transaction under a framework contract is requested by the payer, the payment service provider shall provide explicit information on the maximum execution time and the charges payable by the payer for the transaction. If appropriate, a breakdown of the amounts of charges shall be given.

Art. 45

Information for the payer on individual payment transactions covered by a framework agreement

☐ The payment service provider shall without delay provide the following information to the payer in the manner provided for in the first and second paragraphs of Art. 39 after the amount of an individual payment transaction is debited from the payer's account or, if the payer does not use a payment account, after the receipt of the payment order:

- a. a reference enabling the payer to identify each payment transaction and, where appropriate, information relating to the payee;
- b. the amount of the payment transaction in the currency in which the payer's payment account is debited or in the currency used for the payment order;
- c. the amount of any charges for the payment transaction and, where applicable, a breakdown thereof, and information on the interest payable by the payer;
- d. where applicable, the exchange rate used in the payment transaction by the payer's payment service provider, and the amount of the payment transaction after the currency conversion; and
- e. the debit value date or the date of receipt of the payment order.

☐ A framework contract may provide for information as referred to in the first paragraph to be provided or made available periodically, at least once a month, in a manner enabling the payer to store or retrieve the information unchanged.

Art. 46

Information for the payee on individual payment transactions covered by a framework agreement

☐ The payment service provider shall without delay provide the following information to the payee in the manner provided for in the first and second paragraphs of Art. 39 after the execution of an individual payment transaction covered by a framework contract:

- a. a reference enabling the payee to identify the payment transaction and, where appropriate, the payer and any other information transferred with the payment transaction;
- b. the amount of the payment transaction in the currency which is credited to the payee's account;

c. the amount of any charges for the payment transaction and, where applicable, a breakdown thereof, and information on the interest payable by the payee;

d. where applicable, the exchange rate used in the payment transaction by the payee's payment service provider, and the amount of the payment transaction before the currency conversion; and

e. the credit value due date.

☐A framework contract may provide for information as referred to in the first paragraph to be provided or made available periodically, at least once a month, in a manner enabling the payee to store or retrieve the information unchanged.

Chapter IV

Rights and obligations in connection with the provision and use of payment services

A. General provisions

Art. 47

Charges

☐A payment service provider may not charge the payment service user for information which must be provided under this Act, or for corrective and preventive measures provided for in this Chapter, unless otherwise provided for in this Act. Charges which may be collected as provided for in the first sentence must be appropriate and in line with the payment service provider's actual costs. Full or partial derogations may be made from this provision in a contract if the payment service user is not a consumer.

☐If a payment transaction does not involve any currency conversion, the payee shall pay the charges levied by his/her payment service provider for execution of the payment transaction, and the payer pays the charges levied by his/her payment service provider for execution of the payment transaction.

☐The payee may not demand a fee from the payer for use of one specific payment instrument rather than any other.

Art. 48

Exemptions and derogations for low-value payment instruments

☐The Minister may provide in a Regulation for exemptions and derogations from the provisions of this Chapter in the case of low-value payment instruments.

B. Execution of a payment transaction

Art. 49

Consent to a payment transaction and withdrawal of consent

☐A payment transaction is considered to be authorised only if the payer has given consent to execute the payment transaction. A payment transaction may be authorised by the payer prior to or, if agreed between the payer and his/her payment service provider, after the execution of the payment transaction.

☐Consent to execute a payment transaction or a series of payment transactions shall be given in the form agreed between the payer and his/her payment service provider. In the absence of such consent, a payment transaction shall be considered to be unauthorised.

☐Consent may be withdrawn by the payer at any time, but no later than the point in time a payment order is considered irrevocable as defined in Art. 61. Consent to execute a series of payment transactions may also be withdrawn with the effect that any future payment transaction after that point in time is considered unauthorised. Full or partial derogations from this paragraph may be made in a contract if the payment service user is not a consumer.

Art. 20

Limits on the use of a payment instrument

- ☐ If a specific payment instrument is used for the purposes of giving consent for execution of a payment transaction, the payer and payment service provider may agree on spending limits for payment transactions executed through that payment instrument.
- ☐ If agreed in the framework contract, the payment service provider may reserve the right to block use of the payment instrument for objectively justified reasons related to the security of the payment instrument, the suspicion of unauthorised or fraudulent use of the payment instrument or, in the case of a payment instrument with a credit line, a significantly increased risk that the payer may be unable to fulfil the obligation to pay.
- ☐ The payment service provider shall inform the payer of the blocking of the payment instrument and the reasons for so doing as promptly as possible, unless otherwise provided for by law. If possible this obligation to give notice shall be fulfilled before use of the payment instrument is blocked, and at the latest immediately after the blocking.
- ☐ The payment service provider shall unblock use of the payment instrument or replace it with a new payment instrument once the reasons for blocking no longer exist.

Art. 51

Obligations of the payment service user in connection with the payment instrument

- ☐ The payment service user entitled to use a payment instrument shall use the payment instrument in accordance with the terms and conditions of its issue and use.
- ☐ Upon receipt of the payment instrument the user must take necessary precautionary steps to secure the personalised security features of the payment instrument.
- ☐ The payment service user who is entitled to use the payment instrument must notify the payment service provider, or other party specified by the latter, without undue delay on becoming aware of loss, theft or misappropriation of the payment instrument or of its unauthorised use.

Art. 52

Obligations of the payment service provider in connection with the payment instrument

- ☐ The payment service provider issuing a payment instrument must make sure that the personalised security features of the payment instrument are not accessible to parties other than the payment service user entitled to use the payment instrument.
- ☐ The payment service provider may not send a payment service user an unsolicited payment instrument, except where a payment instrument already given to the payment service user is to be replaced.
- ☐ The payment service provider shall bear all the risk of sending a payment instrument and any type of personalised security feature of the payment instrument to the payer.
- ☐ The payment service provider must ensure that a payment service user is able to submit a notification as referred to in the third paragraph of Art. 51, at any time of the day, and to request unblocking of the use of the payment instrument as provided for in the fourth paragraph of Art. 50. The payment service provider must also ensure that, for 18 months from the time notification is made by a user as provided for in the third paragraph of Art. 51, the user has a means to prove that he/she submitted such notification.
- ☐ The payment service provider must prevent all use of the payment instrument once a notification as referred to in the third paragraph of Art. 51 has been submitted.

Art. 53

Notification of an unauthorised or incorrectly executed payment transaction

- ☐ The payment service user must notify the payment service provider without undue delay on becoming aware of any unauthorised or incorrectly executed payment transactions giving rise

to a claim for correction in accordance with the provisions of this Act, including those of Art. 69, and no later than 13 months after the debit date. This shall not apply, however, if the payment service provider has failed to provide or make available to the payment service user information on the payment transaction as referred to in Chapter III.

☐ Another time limit than specified in the first paragraph may be negotiated when a payment service user is not a consumer.

Art. 54

Authentication in connection with execution of a payment transaction

☐ If a payment service user denies having authorised an executed payment transaction or claims that the payment transaction was not correctly executed, his/her payment service provider must prove that the payment transaction was authenticated, accurately recorded, entered in the accounts and not affected by a technical breakdown or some other deficiency.

☐ If a payment service user denies having authorised an executed payment transaction, the use of a payment instrument recorded by the payment service provider shall in itself not necessarily be sufficient to prove either that the payer authorised the payment transaction or that the payer acted fraudulently or failed with intent or gross negligence to fulfil one or more of the obligations provided for in Art. 51.

☐ Full or partial derogations may be made from the provisions of the first and second paragraphs in a contract if the payment service user is not a consumer.

Art. 55

Payment service provider's liability for an unauthorised payment transaction

☐ In the case of an unauthorised payment transaction as defined by this Act, the payment service provider shall, provided the conditions of Art. 53 are satisfied and taking other provisions of this Chapter into consideration, immediately reimburse the payer the amount of the unauthorised payment transaction or, if appropriate, reverse the debited payment account to the state it would have been had the unauthorised payment not taken place.

☐ This provision applies to electronic money as defined in the [Act on the Issuance and Handling of Electronic Money],¹⁾ unless the payer's payment service provider is incapable of freezing the payment account or closing the payment instrument.

¹⁾ Act No. 17/2013, Art. 47.

Art. 56

Payer's liability for an unauthorised payment transaction

☐ Notwithstanding Art. 55, the payer shall bear the losses relating to any unauthorised payment transactions, up to a maximum of the equivalent of EUR 150 in ISK based on the official exchange rate (buying rate) as quoted in each instance, resulting from the use of a lost or stolen payment instrument or, if the payer has failed to keep the security features safe, from the misappropriation of a payment instrument.

☐ The payer shall bear all the losses relating to any unauthorised payment transactions if he/she incurred them by acting fraudulently or by failing to fulfil one or more of the obligations provided for in Art. 51 with intent or gross negligence. In such cases the maximum amount referred to in the first paragraph shall not apply.

☐ If the payer has neither acted fraudulently nor intentionally failed to fulfil his/her obligations as provided for in Art. 51, consideration shall be given to the nature of the personalised security features of the payment instrument and the circumstances under which it was lost, stolen or misappropriated in determining the amount which the payer must bear as referred to in the first and second paragraphs.

☐The payer shall not bear any losses resulting from use of the lost, stolen or misappropriated payment instrument after the point in time of notification as provided for in the third paragraph of Art. 51. This shall not apply, however, if the payer has acted fraudulently.

☐The payer shall not be liable for a loss resulting from the use of a payment instrument if the payment service provider does not provide appropriate means as provided for in this Act for the notification of a lost, stolen or misappropriated payment instrument, as required under the fourth paragraph of Art. 52. This shall not apply, however, if the payer has acted fraudulently.

☐Full or partial derogations may be made from the provisions of the first to fifth paragraphs in a contract if the payment service user is not a consumer.

☐This provision applies to electronic money as defined in the [Act on the Issuance and Handling of Electronic Money],¹⁾ unless the payer's payment service provider is incapable of freezing the payment account or closing the payment instrument.

¹⁾Act No. 17/2013, Art. 47.

Art. 57

Refunds for payment transactions initiated by or through a payee

☐A payer is entitled to a refund from his/her payment service provider of an authorised payment transaction initiated by or through a payee which has already been executed, if the following conditions are met:

a. the amount of the payment transaction was not specified exactly when the authorisation was granted and

b. the amount of the payment transaction exceeded the amount the payer could reasonably have expected, taking into account his/her previous spending pattern, the conditions in the framework contract and other circumstances of the case.

☐At the payment service provider's request, the payer shall provide documentation that the conditions of subparagraphs a and b of the first paragraph are considered to be satisfied.

☐For direct debits it may be agreed in the framework contract for payment services that the payer is entitled to a refund from the payment service provider even though the conditions for refund referred to in the first paragraph are not satisfied.

☐With regard to subparagraph b of the first paragraph, however, the payer may not base a claim for repayment on exchange rate reasons if the reference exchange rate was applied as agreed with the payment service provider in accordance with subparagraph d of Art. 36 and subparagraph b of Point 3 of Art. 40.

☐It may be agreed in the framework contract for payment services that the payer has no right to a refund where he has given consent to execute the payment transaction directly to the payment service provider and, where applicable, information on future payment transactions was provided or made available in an agreed manner to the payer for at least four weeks before the due date.

☐Full or partial derogations may be made from the provisions of the first to fourth paragraphs in a contract if the payment service user is not a consumer.

Art. 58

Handling of requests for refunds for payment transactions initiated by or through a payee

☐The payer shall request the refund referred to in Art. 57 within eight weeks from the date on which the funds were debited.

☐The payment service provider shall, within ten days of receiving [a request] as referred to in the first paragraph, either refund the full amount of the payment transaction or provide justification for refusing the refund, indicating the bodies to which the payer may refer the case in accordance with Chapter V, if the payer does not accept the justification for the refusal.

☐The payment service provider's right as provided for in the second paragraph to refuse the refund shall not apply in the case set out in the third paragraph of Art. 57.

☐Full or partial derogations may be made from the provisions of the first to third paragraphs in a contract if the payment service user is not a consumer.

Art. 59

Receipt of payment orders

☐The point of time of receipt of payment orders is the time when the payment orders are received by the payer's payment service provider after the payer has given them directly or indirectly through the intermediation of the payee. The payment service provider may establish a cut-off time near the end of a business day beyond which any payment order received shall be deemed to have been received on the following business day.

☐If the payment service user initiating a payment order and his/her payment service provider agree that execution of the payment order shall start on a specific day, at the end of a certain period or on the day on which the payer has set funds at his payment service provider's disposal, the point of time of receipt, cf. Art. 64, is considered to be the agreed day.

☐If the point in time of receipt referred to in the first paragraph or the agreed day referred to in the second paragraph is not a business day for the payer's payment service provider, the payment order shall be deemed to have been received on the following business day.

Art. 60

Refusal of payment orders

☐If all the conditions of the payer's framework contract with the payment service provider are satisfied, the payer's payment service provider may not refuse to execute authorised payment orders, whether initiated by the payer or given by or through the payee. This shall not apply, however, if otherwise provided for by law.

☐In those instances where the payment service provider may refuse to execute payment orders, the payment service user shall be notified of the refusal and, if possible, the reasons for the same and the procedure for possible correction of the events which cause the refusal. This shall not apply, however, if otherwise provided for by law.

☐The payment service provider shall make the notification referred to in the second paragraph available in an agreed manner at the earliest opportunity and at the latest within the time limit set in Art. 64. The framework contract may include a condition that the payment service provider may charge for such a notification if the refusal to execute payment orders complies with law and is objectively justified.

☐For the purposes of Articles 64 and 69 a payment order for which execution has been refused shall be deemed not to have been received.

Art. 61

Revocation of payment orders

☐The payment service user may not revoke a payment order once it has been received by the payer's payment service provider, unless the second to sixth paragraphs apply.

☐If the payment transaction is initiated by or through the payee, the payer may not revoke the payment order after transmitting the payment order or giving consent to execute the payment transaction to the payee.

☐Notwithstanding the second paragraph, the payer may revoke a payment order in the case of a direct debit at the latest by the end of the business day preceding the day agreed for debiting funds.

☐If the payment service user initiating a payment order and his/her payment service provider agree that execution of the payment order shall start on a specific day, at the end of a certain

period or on the day on which the payer has set funds at the payment service provider's disposal, cf. the second paragraph of Art. 59, the payment service user may revoke a payment order at the latest by the end of the business day preceding the agreed day.

☐ After the time limits specified in the first to fourth paragraphs, the payment order may only be revoked if agreed between the payment service user and payment service provider. In the case referred to in the second and third paragraphs, the payee's agreement shall furthermore also be required. If agreed in the framework contract, the payment service provider may charge a fee for the revocation of payment orders as provided for in this paragraph.

☐ Full or partial derogations may be made from the provisions of the first to fifth paragraphs in a contract if the payment service user is not a consumer.

Art. 62

Amount of a payment transaction

☐ Payment service providers and their intermediaries shall transfer the full amount of all payment transactions. No charges shall be deducted from the amount transferred.

☐ The payee and his/her payment service provider may, however, agree that the payment service provider's charges for payment services may be deducted from the transferred amount before it is credited to the payee. When this applies, the full amount of the payment transaction shall be kept separate from charges in the information provided to the payee.

☐ If any charges other than those referred to in the second paragraph are deducted from the amount transferred, the payment service provider of the payer shall ensure that the payee receives the full amount of the payment transaction initiated by the payer. In cases where the payment transaction is initiated by or through the payee, his/her payment service provider shall ensure that the full amount of the payment transaction is received by the payee.

C. Execution time and value date

Art. 63

Scope of Part C

☐ The scope of Articles 64-67 shall be as provided for in the latter sentence of the third paragraph of Art. 1.

Art. 64

Payment transactions to a payment account

☐ After the point in time of receipt as referred to in Art. 59, the payer's payment service provider shall ensure that the amount of the payment transaction is credited to the account of the payee's payment service provider at the latest by the end of the next business day. This deadline may be extended by one business day for paper-based payment transactions.

☐ The payee's payment service provider shall, after receiving the funds, set a value date for the payment and ensure that its amount is available for the payee's disposal in his/her account as provided for in Art. 67 unless the contracting parties specify another time limit.

☐ In the case of payment transactions initiated by or through the payee, the payee's payment service provider shall send a payment order to the payer's payment service provider within the time limit for settlement agreed between the payee and his/her payment service provider. When direct debit is concerned the payment order shall be sent on the agreed due date.

Art. 65

In a situation where the payee has no payment account with the payment service provider

☐ Where a payee does not have a payment account with the payment service provider, the payment service provider accepting the funds on behalf of the payee must make them available to the payee within the time limit specified in Art. 64.

Art. 66

Cash deposited in a payment account

☐ If a payment service user places cash on a payment account with a payment service provider in the currency of that payment account, the payment service provider shall ensure that the amount is made available and value dated immediately after the point of time of the receipt of the funds.

Art. 67

Value date and availability of funds

☐ The credit value date for the payee's payment account is considered to be no later than the business day on which the amount of the payment transaction is credited to the account of the payee's payment service provider. The payee's payment service provider shall ensure that the amount of the payment transaction is at the payee's disposal immediately after that amount is credited to the account of the payee's payment service provider.

☐ The debit value date for the payer's payment account may not be earlier than the point in time at which the amount of the payment transaction is debited to from the payment account with the payment service provider.

D. Incorrect or defective execution, treatment of personal data etc.

Art. 68

Unique identifier

☐ If a payment order is executed in accordance with a unique identifier it shall be deemed to have been executed correctly with regard to the payee specified by the unique identifier.

☐ If the unique identifier provided by the payment service user is incorrect, the payment service provider shall not be liable under Art. 69 for non-execution or defective execution of the payment transaction. However, the payer's payment service provider shall take measures to recover if possible the funds involved in the payment transaction. A charge for such efforts may be agreed upon in the framework contract.

☐ If the payment service user has provided information in addition to the information required for proper execution of payment orders as specified in subparagraph a of Art. 36 or subparagraph b of Point 2 of Art. 40, the payment service user shall be liable only for the execution of payment transactions in accordance with the unique identifier provided by the payment service user.

Art. 69

Non-execution or defective execution of a payment transaction

☐ If a payment order is initiated by the payer, his/her payment service provider shall, without prejudice to Art. 53, the second and third paragraphs of Art. 68 and Art. 72, be liable to the payer for correct execution of the payment transaction. This shall not apply, however, if the payer's payment service provider can prove to the payer, and the payee's payment service provider as applicable, that the payee's payment service provider received the amount of the payment transaction in accordance with the first paragraph of Art. 64, in which case the payee's payment service provider shall be liable to the payee for the correct execution of the payment transaction.

☐ If the payer's payment service provider is liable under the first paragraph, it must without undue delay refund to the payer the amount of the non-executed or defective payment transaction and, where applicable, restore the debited payment account to the state in which it would have been had the defective payment transaction not taken place.

☐ If the payee's payment service provider is liable under the first paragraph, it shall immediately place the amount of the payment transaction at the payee's disposal and, where applicable, credit the corresponding amount to the payee's payment account.

☐ In the case of a non-executed or defectively executed payment transaction where the payment order is initiated by the payer, the payer's payment service provider shall, on request, make immediate efforts to trace the payment transaction and notify the payer of the outcome. This shall apply regardless of who is liable for proper execution of the payment transaction referred to in the first to third paragraphs.

☐ If a payment order is initiated by or through the payee, his/her payment service provider shall be liable to the payee for correct transmission of the payment order to the payment service provider of the payer in accordance with the third paragraph of Art. 64. The payment order shall be transmitted, or as the case may be re-transmitted, to the payer's payment service provider without delay. The payee's payment service provider is furthermore liable to the payee under this paragraph for handling the payment transaction in accordance with its obligations under Art. 67. It shall ensure that the amount of the payment transaction is at the payee's disposal immediately after that amount is credited to the payee's payment account. This paragraph applies without prejudice to Art. 53, the second and third paragraphs of Art. 68 and Art. 72.

☐ In the case of a non-executed or defectively executed payment transaction for which the payee's payment service provider is not liable under the fifth paragraph, the payer's payment service provider shall be liable to the payer. It must without undue delay refund to the payer the amount of the non-executed or defective payment transaction and, where applicable, restore the debited payment account to the state in which it would have been had the defective payment transaction not taken place.

☐ In the case of a non-executed or defectively executed payment transaction where the payment order is initiated by the payee, the payee's payment service provider shall, on request, make immediate efforts to trace the payment transaction and notify the payee of the outcome. This shall apply regardless of who is liable for proper execution of the payment transaction referred to in the fifth and sixth paragraphs.

☐ A payment service provider shall be liable to a payment service user for any charges and interest to which a user may be subject as a consequence of non-execution or defective execution of the payment transaction, cf. the first to seventh paragraphs.

☐ Full or partial derogations may be made from the provisions of the first to eighth paragraphs in a contract if the payment service user is not a consumer.

☐

Art. 70

Additional financial compensation

☐ Any financial compensation additional to that provided for in Articles 68-72 may be determined in accordance with law and the contract concluded between the payment service user and payment service provider.

Art. 71

Right of recourse

☐ If the liability of a payment service provider as referred to in Art. 69 is attributable to another payment service provider or to an intermediary, that payment service provider or intermediary shall compensate the first payment service provider for any losses incurred or sums which it was obliged to pay on the basis of Art. 69.

☐ Further financial compensation may be determined in accordance with law and with agreements between payment service providers and/or intermediaries.

Art. 72

Force majeure

☐Liability as referred to in Articles 49-72 shall not apply to losses due to *force majeure* or losses resulting from other legal obligations by which a payment service provider is bound.

Art. 73

Personal data protection

☐Processing and handling of personal data in payment systems and by payment service providers is authorised when necessary to prevent, investigate and detect fraud. The processing of such personal data must comply with the Act on Protection of Privacy as regards the Processing of Personal Data.

Chapter V

Supervision, remedies and sanctions

Art. 74

Financial Supervisory Authority

☐The Financial Supervisory Authority shall supervise the implementation of this Act with regard to parties subject to supervision as provided for in Act No. 87/1998, on Official Supervision of Financial Activities.

☐The Financial Supervisory Authority shall supervise the activities of payment institutions and money and asset remittance services, including agents, branches and entities to which activities are outsourced, which are covered by the provisions of Chapter II, unless otherwise provided for by law or international agreements to which Iceland is a party.

☐Supervision by the Financial Supervisory Authority shall be as provided for in this Act and the Act on Official Supervision of Financial Activities.

☐The Post and Telecom Administration shall supervise the implementation of this Act with regard to postal operators licensed under the Act on Postal Services.

Art. 75

Access to payment systems

☐Access by payment service providers to payment system as referred to in Art. 7 shall be as provided for in the Competition Act, No. 44/2005.

Art. 76

Complaints and redress procedures

☐Payment service providers shall make available information on complaint and redress procedures if disputes arise between users of payment services and payment service providers, including on referral to the Complaints Committee on Transactions with Financial Undertakings, as referred to in the second paragraph.

☐Payment service users may refer disputes concerning financial claims and civil interests to the Complaints Committee on Transactions with Financial Undertakings, as provided for in Art. 19 a of Act No. 161/2002, on Financial Undertakings. Payment institutions and money and asset remittance services must be party to the Complaints Committee on Transactions with Financial Undertakings.

Art. 77

Administrative fines

☐The Financial Supervisory Authority may levy administrative fines on any party violating the following provisions of this Act and, as the case may be, Rules adopted by on their basis:

1. Art. 5, on exclusive rights of payment service providers to provide payment services in Iceland.

2. Art. 10, on initial capital.

3. Articles 11 and 12, on own funds and calculation of own funds.

4. Art. 13, prohibiting pursuit of activities subject to license without an operating license.

5. Art. 17, on good business practices and confidentiality.

6. Art. 18, on preservation of funds.

7. The fourth and fifth paragraphs of Art. 19, on other activities.

8. Art. 20, on eligibility of directors, managing directors and other managers.

9. Art. 21, on accounting and statutory audit.

10. The first, third and fifth paragraphs of Art. 23, on agents and branches.

11. The first and second paragraphs of Art. 24, on outsourcing.

12. The second paragraph of Art. 25, on the obligation to ensure that third parties, to whom operational functions of payment services have been outsourced, take suitable measures to ensure compliance with this Act.

13. Art. 26, on record-keeping.

14. Art. 27, on money and asset remittance services.

15. Art. 32, on currency and currency conversion.

16. Art. 33, on use of a specific payment instrument.

17. Articles 35 and 36, on information disclosure before a contract or offer for a single payment transaction becomes binding on the payment service user.

18. Art. 37, on information for the payer after receipt of the payment order for a single payment transaction.

19. Art. 38, on information for the payee after execution of a single payment transaction.

20. Articles 39 and 40, on information disclosure before a contract or offer for payment transactions covered by a framework contract becomes binding on the payment service user.

21. Art. 41, on accessible information and conditions of a framework contract.

22. Art. 42, on changes to the conditions of a framework contract.

23. Art. 43, on termination of a framework contract.

24. Art. 44, on information disclosure before execution of individual payment transactions covered by a framework contract.

25. Art. 45, on information for the payer on individual payment transactions covered by a framework agreement.

26. Art. 46, on information for the payee on individual payment transactions covered by a framework agreement.

27. Art. 47, on charges.

28. The second to fourth paragraphs of Art. 50, on limits on the use of a payment instrument.

29. Art. 60, on refusal of execution of payment orders.

30. Art. 61, on revocation of payment orders.

31. Art. 62, on the amount of a payment transaction.

32. Articles 64-67, on the execution time and value date of a payment transaction.

33. Art. 69, on cases of non-execution or defective execution of a payment transaction.

☞ Fines which are levied on individuals may be from ISK 10,000 to ISK 20 million. Fines which are levied on legal entities may be from ISK 50,000 to ISK 50 million. In determining the fine, regard shall be had, among other things, for the seriousness of the offence, how long it has continued, the readiness of the offending party to co-operate and whether the offence

has been repeated. Decisions on administrative fines shall be taken by the Board of Directors of the Financial Supervisory Authority and are enforceable by execution. After deducting the cost of collection, fines shall accrue to the Treasury. If administrative fines are not paid within a month of a decision by the Financial Supervisory Authority, penalty interest shall be paid on the amount of the fine. The Act on Interest and Indexation shall apply to a decision on and calculation of penalty interest.

☐Administrative fines may be applied regardless of whether violations are committed deliberately or through negligence. If a party has violated the provisions of this Act, rules adopted on its basis or decisions of the Financial Supervisory Authority taken on its basis, the Financial Supervisory Authority may conclude the case through a settlement with the agreement of the party in the case, provided it does not involve a major offence liable to criminal punishment. A settlement is binding upon a party to the case once the party has approved and confirmed its substance with his/her signature. The Financial Supervisory Authority shall adopt detailed rules on the implementation of the provision.

☐In a case directed against an individual, which may conclude with the levying of an administrative fine or charges laid with the police, a person who there is reasonable grounds to suspect is guilty of an offence has the right to refuse to answer questions or deliver data or articles unless the possibility can be excluded that this may be of significance for determining his/her offence. The Financial Supervisory Authority shall inform the suspect of this right.

☐The authorisation of the Financial Supervisory Authority to levy administrative fines under this Act shall expire once five years have elapsed from the time the behaviour concluded.

☐Calculation of the time limit provided for in the first paragraph shall be suspended when the Financial Supervisory Authority 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.

Art. 78

Fines or imprisonment

☐Violations of the following provisions of this Act and, as the case may be, rules adopted on their basis shall be liable to fines or imprisonment of up to two years, unless more severe punishment is provided for in other Acts:

1. Art. 5, on exclusive rights of payment service providers to provide payment services in Iceland.

2. Articles 11 and 12, on own funds and calculation of own funds.

3. Art. 13, prohibiting pursuit of activities subject to license without an operating license.

4. The second paragraph of Art. 17, on confidentiality.

5. Art. 21, on accounting and statutory audit.

☐The same penalties also apply to provision of incorrect or misleading information on the circumstances of a payment service provider or other information concerning it, either publicly or to the Financial Supervisory Authority, other public entities or users of payment services.

☐Violations of this Act which are liable to fines or imprisonment shall be subject to punishment whether committed deliberately or through negligence.

☐Any direct or indirect gain acquired through a violation of the provisions of this Act liable to fines or imprisonment may be confiscated by verdict of a court.

☐An attempt to commit or participation in a violation of this Act is liable to punishment as prescribed by the Criminal Code.

☐Violations against this Act shall only be subject to police investigation following a complaint from the Financial Supervisory Authority.

☐ If an alleged violation of this Act is liable to both administrative fines and punishment, the Financial Supervisory Authority shall assess whether to lay charges with the police or conclude the case with an administrative decision by the Authority. In the case of major violations, the Financial Supervisory Authority should refer these to the police. A violation is considered major if substantial amounts are involved and if the violation has been committed in an especially reprehensible manner or under circumstances which greatly increase the culpability of the violation. Furthermore the Financial Supervisory Authority may, at any stage of the investigation, refer violations of this Act for police investigation. Care shall be taken to ensure consistency in resolving comparable cases.

☐ Charges laid by the Financial Supervisory Authority shall be accompanied by copies of the documentation supporting the suspicion of a violation. The provisions of Chapters IV-VII of the Public Administration Act shall not apply to a decision by the Financial Supervisory Authority to lay charges with the police.

☐ The Financial Supervisory Authority may provide the police and prosecution with information and documentation which the Authority has acquired and is connected with the violations referred to in the seventh paragraph. The Financial Supervisory Authority may participate in actions by the police concerning their investigation of violations referred to in the seventh paragraph.

☐ The police and prosecution may provide the Financial Supervisory Authority with information and documentation which they have acquired and is connected with the violations referred to in the seventh paragraph. The police may participate in actions by the Financial Supervisory Authority concerning investigation of those violations referred to in the seventh paragraph.

☐ If the prosecution is of the opinion that there is insufficient cause for bringing suit concerning alleged punishable behaviour which furthermore is liable to administrative penalties, it may send or return the case to the Financial Supervisory Authority for handling and a decision.

Chapter VI

Entry into force, etc.

Art. 79

Transposition

☐ This Act involves the transposition of Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC. The Directive became part of the EEA Agreement by a decision of the EEA Joint Committee, No. 114/2008, of 7 November 2008, published in the EEA Supplement to the *Official Journal of the European Union*, No. 79/2008, of 18 December 2008.

Art. 80

This Act shall enter into force on 1 December 2011.

Art. 81

Amendments to other Acts ...

Temporary Provisions

I.

Notwithstanding the provisions of this Act, payment service providers and users of payment services are subject to restrictions which may arise from the provisions of Act No. 87/1992, on Foreign Currency, and rules adopted by virtue of it, as currently applicable.

II.

Up until 1 January 2012, payers and their payment service providers may agree on a longer time limit than provided for in the first paragraph of Art. 64. Such a time limit may not, however, be longer than three business days. These deadlines may, however, be extended by one business day for paper-based payment transactions.