

Act

on the freezing of funds and the designation of entities on a sanctions list in relation to terrorism financing and the proliferation of weapons of mass destruction.

CHAPTER I

Objective, glossary and coverage.

Article 1

Objective.

The aim of this Act is to prevent the financing of terrorism and the proliferation and financing of weapons of mass destruction. For this purpose it provides for the freezing of funds in compliance with certain restrictive measures adopted by the UN Security Council on the basis of Article 41 of the United Nations Charter, by international organisations or groups of states, to maintain peace and security and/or ensure respect for human rights and fundamental freedoms, introduced in accordance with Article 4(1) of the International Sanctions Implementation Act, No. [93/2008](#), cf. Article 4(3) of that Act.

Article 2

Glossary.

1. *Entity*: Natural or legal person, including governments, corporations, consortiums, institutions, funds and organisations.
2. *Economic resources*: assets of every kind, whether tangible or intangible, movable or immovable, which are not funds but may be used to obtain funds, goods or services.
3. *Supervisory body*: The Financial Supervisory Authority and the Directorate of Internal Revenue.
4. *Funds*: financial assets and benefits of every kind, including:
 - a. cash, cheques, claims on money, drafts, money orders and other payment instruments,
 - b. deposits with financial institutions or other entities, balances on accounts, debts and debt obligations,
 - c. publicly and privately traded securities and debt instruments, both listed and unlisted, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts,

- d. interest, dividends or other income on or value accruing from or generated by assets,
 - e. credit, right of set-off, guarantees, performance bonds or other financial commitments,
 - f. letters of credit, bills of lading, bills of sale,
 - g. documents evidencing an interest in funds or financial resources or
 - h. any instruments of export-financing.
5. *Terrorism financing*: Financing pursuant to the definition in the Act on Measures Against Money Laundering and Terrorist Financing.
6. *Freezing of economic resources*: preventing all use of economic resources to obtain funds, goods or services, including, but not limited to, by selling, hiring or mortgaging them.
7. *Freezing of funds*: preventing any move, transfer, alteration or use of, access to, or dealing with funds in any way that would result in any change in their volume, amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.
8. *Weapons of mass destruction*: nuclear, chemical, bacteriological (biological) or toxin weapons or delivery systems for such weapons, cf. Act on the Implementation of the Convention on the Prohibition of the Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, and Act on the Implementation of the Comprehensive Nuclear-Test-Ban Treaty.
9. *Sanctions list*: Variable list of individuals, organisations, groups or legal entities subject to international sanctions in the sense of the International Sanctions Implementation Act, [No. 93/2008](#).
10. *Designated entity*: an entity that has been designated on a sanctions list in accordance with Articles 9 to 11.
11. *Proliferation and financing of weapons of mass destruction*: the development, production, acquisition, stockpiling, use, procurement, ownership, transfer, distribution, trade in or keeping of weapons of mass destruction, cf. Article 2 of the Regulation on International Security Measures regarding Weapons of Mass Destruction, No. 123/2009.
12. *Obligated entity*: an entity subject to Article 2 of the Act on Measures Against Money Laundering and Terrorist Financing, No. [140/2018](#).

Article 3

Scope.

This Act applies to Icelandic citizens as well as foreign nationals subject to criminal liability pursuant to the provisions of the General Penal Code concerning criminal jurisdiction. Furthermore, the Act applies to Icelandic citizens who may be subject to criminal liability for offences committed abroad, even if the offence is not punishable under the law of the state where the offence was committed.

This Act applies to legal entities registered or established pursuant to Icelandic law, wherever they operate or are located. If a legal entity is registered or established abroad, the Act applies to its operations to the extent that they are carried out within Icelandic jurisdiction.

CHAPTER II

Freezing of funds.

Article 4

Freezing of funds and economic resources.

The freezing of funds and economic resources is obligatory in accordance with regulations adopted on the basis of the International Sanctions Implementation Act, [No. 93/2008](#), in order to prevent any financial transfers, such as the delivery of funds, withdrawals, transfers, asset registration or other dealings, thus blocking entities on sanctions lists from receiving any payment or being able to make use of funds by other means.

When funds or economic resources are frozen, the freezing applies to funds and economic resources that in whole or in part, directly or indirectly, belong to, are owned, held or controlled by entities on a sanctions list. Freezing also applies to funds and economic resources that come from and/or are created through funds and economic resources that in whole or in part, directly or indirectly, belong to, are owned, held or controlled by entities on a sanctions list. Freezing also applies to funds and economic resource of entities that represent entities on a sanctions list.

The freezing of funds or economic resources does not prevent the deposit into frozen accounts of:

- a. Interest or other earnings on those accounts or
- b. payments due under contracts, agreements or obligations that were concluded or arose prior to the adoption of restrictive measures.

Interests, other earnings and payments referred to in paragraph 3, shall also be frozen.

Those who freeze funds or economic resources, cf. paragraph 1, shall notify the owners and the Minister of any such measures without delay. Obligated entities pursuant to points (a) to (k) of Article 2(1) of the Act on Measures Against Money Laundering and Terrorist Financing, No. [140/2018](#), shall also notify the Financial Supervisory Authority of any such measures. Obligated entities pursuant to points (l) to (s) of Article 2(1) of the Act on Measures Against Money Laundering and Terrorist Financing, No. [140/2018](#), shall notify the Directorate of Internal Revenue of any such measures.

Frozen funds or economic resources shall remain with the entity that holds them when the freezing is carried out, unless the Minister issues other instructions.

If the freezing of funds or economic resources is carried out in good faith pursuant to this Act or regulations adopted on its basis, it shall not give rise to liability of any kind due to the freezing on the part of the entities in question or their employees.

The Minister maintains a list of all funds and economic resources frozen on the basis of the said Act, the International Sanctions Implementation Act, and regulations adopted on their basis.

Article 5

Exemption from the freezing of funds.

The Minister may authorise the release of frozen funds or economic resources that are:

- a. necessary to satisfy the basic needs of the persons concerned and their dependent family members, including payments for foodstuffs, rent or mortgage, medicines and medical treatment, taxes, insurance premiums, and public utility charges,
- b. necessary for extraordinary expenses,
- c. intended for payment of contract liabilities incurred before the freezing obligation was created, provided it has been verified that:

1. the contract is not related to financial assistance, items, technical assistance or services pursuant to the definitions of this Act that are prohibited according to regulations adopted on the basis of this Act, and

2. the payment will not reach, whether directly or indirectly, entities on a sanctions list, cf. Articles 9 to 11,

d. intended exclusively for the payment of reasonable professional fees and the reimbursement of incurred expenses associated with the provision of legal services, and

e. intended exclusively for the payment of fees or service charges for the routine holding or maintenance of frozen funds or economic resources.

Before an exemption is granted from the freezing of funds according to paragraph 1, the Minister shall, as applicable, seek the opinion of, or notify it to, the applicable committees of the UN Security Council or UN institutions with at least two week notice and in the form recommended by the parties in question.

An exemption from the freezing of funds shall be requested in a form recommended by the Minister.

Article 6

Releasing of funds.

Unless funds have been confiscated on the basis of provisions of the General Penal Code, they shall be released when entities are removed from a sanctions list.

If it has been verified that funds have been frozen at an entity that carries the same or similar name as an entity that is on a sanctions list, the Minister shall issue instructions on the lifting of the restrictive measures. The provisions of Article 14 shall apply where appropriate.

The notification of the releasing of funds is subject to Articles 14 and 15 as the case may be.

Article 7

Measures for assessing whether customers are on sanctions lists.

Obligated entities pursuant to points (a) to (h) of Article 2(1) of the Act on Measures Against Money Laundering and Terrorist Financing, [No. 140/2018](#), shall have in place an appropriate screening system for assessing whether their customers are on sanctions lists. The Financial Supervisory Authority may grant an exemption from the requirement for such a screening system if the obliged entity demonstrates that the objectives of the Act can be fulfilled through the requirements of paragraph 2.

Obligated entities pursuant to points (i) to (s) of Article 2(1) of the Act on Measures Against Money Laundering and Terrorist Financing, [No. 140/2018](#), shall introduce processes and methods for assessing whether their customers are on sanctions lists.

The standing of the customer shall be assessed pursuant to paragraphs 1 and 2 at the beginning of the contractual relationship and regularly thereafter while it lasts.

CHAPTER III

Proposals for designation on, and removal from, sanctions lists.

Article 8

Investigation for designation on a sanctions list.

The police are permitted, despite the absence of any suspicion of punishable conduct, to initiate an investigation into an entity pursuant to the Law on Criminal Procedure, if there is a justifiable basis or cause to believe that the entity fulfils the conditions of Article 9, 10 or 11 for registration on a sanctions list.

An investigation pursuant to this provision shall be carried out without notifying the subject of the investigation.

Article 9

Proposal for designation on UN Security Council sanctions lists.

The National Commissioner of the Icelandic Police submits a reasoned proposal for the designation of the entity on a UN Security Council sanctions list. Where appropriate, the proposal shall be accompanied by:

- a. the findings of an investigation, cf. Article 8,
- b. documentation demonstrating involvement, support or assistance to terrorist activity or the proliferation and financing of weapons of mass destruction on behalf of the entity being proposed for designation,
- c. information on methods and funds that have been used in terrorism financing or the proliferation and financing of weapons of mass destruction,
- d. other direct or indirect evidence,
- e. the name or names of the entity or entities being proposed for designation or other identifying information,
- f. information on date of birth, place of birth, residence and nationality,
- g. information on the family connections of the entity being proposed for designation,
- h. the criminal record of the entity being proposed for designation and information from police records, and
- i. in the case of a legal entity, information on individuals who have control over the legal entity.

The Minister shall confer with the Minister for the policy area concerned before making a decision on a proposal for designation and shall call for further information if necessary. The Minister shall also, when possible, obtain further information from the state where the entity than is intended for a designation proposal has residency and/or citizenship, and, as the case may be, from international and European organisations.

All public bodies are, notwithstanding any confidentiality obligations, obliged to provide information to the Minister during investigations pursuant to this provision.

In assessing whether to propose the designation of an entity for a sanctions list, the Minister shall take into account:

- a. any indication of participation or support of terrorist activity or the proliferation and financing of weapons of mass destruction,