Act on Funds and Institutions Operating According to Approved Charters

No. 19, 15 May 1988

Article 1

[This Act shall apply to funds and institutions operating according to charters approved by a District Commissioner under this Act, or according to charters approved by the [Minister][1)] or the President of Iceland or the king (*cf.*, however, the second paragraph of this Article). [The Minister may stipulate in a Regulation that tasks entrusted to a District Commissioner under this Act shall be the responsibility of one or more District Commissioners.][2)]][3)]

However, those funds and institutions that are established by statutes, decisions of the Althingi or international agreements shall be exempt from the effects of this Act, even though their charters are approved.

[Private non-profit institutions that engage in business activities shall be governed by the Act on Private Non-profit Institutions that Engage in Business Operations.][4)]

[Decisions taken by a District Commissioner under this Act may be referred to [the Ministry.][5)]][3)]]

[1)] Act No. 126/2011, Art. 123. [2)] Act No. 112/2024, Art. 8. [3)] Act No. 143/2006, Art. 1, [4)] Act No. 33/1999, Art. 49. [5)] Act No. 162/2010, Art. 115..

Article 2

The initial capital of the fund or institution shall be at least ISK 300,000, based on the credit terms index valid at the time of commencement of this Act; thereafter this shall change in accordance with the same index in January. The [District Commissioner][1)] shall advertise the minimum figure each year. Foundation capital may, however, stand at a smaller amount if there are particular reasons for this.

The initial capital and its provenance shall be stated in the charter, together with the aims of the fund or institution and how the capital is to be used to achieve the aims. It shall also be stated clearly how the board of the fund or institution is to be appointed and who is to be responsible for managing its finances.

[The District Commissioner][1)] shall maintain a register of all funds and institutions operating according to approved charters; this shall be known as the 'Fund Register'.

Approved charters and amendments thereto shall be published in Section B of the Official Journal (Icel. *Stjórnartíðindi*).

[1)] Act No. 143/2006, Art. 2.

[Art. 2 a

Directors of funds and institutions must be legally competent and have control of their own financial affairs.

If an individual has, during the last three years, been convicted of an act in connection with business operations that violates the General Penal Code, the Act on Measures Against Money Laundering and Terrorist Financing, the Act on Public Limited Companies, the Act on Private Limited Companies, the Accounting Act, the Act on Annual Financial Statements, the Act on Bankruptcy etc. or the Act on

Withholding of Public Levies at Source, they are not competent to serve on the board of a fund or institution.

Where relevant, the eligibility criteria referred to in the first and second paragraphs shall also apply to the managing director and appointed custodian of the fund or institution.

The directors, the managing director and the appointed custodian shall at all times satisfy the eligibility requirements under this Article. If the directors, the managing director or the appointed custodian lose their eligibility, they must inform the District Commissioner thereof. The District Commissioner may at any time conduct a special review of the eligibility of directors, managing directors and appointed custodians.]

[1)] *Act No.112/2024. Art. 9.*

[Art. 2 b

A fund or institution is obliged to keep accounts and prepare annual annual financial statements as provided for in the Accounting Act. The board, managing director or custodian of a fund or institution shall prepare annual financial statements for each financial year in accordance with that Act.

A board meeting shall elect one or more auditors, auditing firms, inspectors or trustees and their deputies to review the annual financial statements. The provisions of the Act on Auditors and Auditing shall apply to the eligibility and work of auditors and auditing firms, and the provisions of the Act on Accounting shall apply to the eligibility and work of inspectors and trustees. Trustees may not sit on the board or hold administrative positions for the fund or institution.

The annual financial statements must be completed and endorsed no later than six months after the end of the financial year. The annual financial statements shall be submitted to a board meeting of the fund or institution for approval.]

[1)] *Act No.112/2024. Art. 9.*

Article 3

[The person responsible for the fund or institution shall, not later than 31 August each year, send the District Commissioner the annual financial statements for the previous year.][1)]

The board of the fund or institution shall also inform the Fund Register of the persons constituting the board at any given time.

The [District Commissioner][1)] shall maintain a register of the gross income and expenses, and also of the assets and liabilities, of all registered funds and institutions, together with its comments on the accounts submitted. New information shall be entered in the register as it is received. Access to information in the register shall be open to all, and copies of the register shall be given to all those who so request.

[1)] *Act No.112/2024. Art. 10.*

Article 4

[Should a fund or institution neglect its obligation under Art. 3 to submit its annual financial statements to the District Commissioner, the latter shall impose administrative fines on that fund or institution. Once the deadline under Art. 3 has passed, the District Commissioner shall levy an administrative fine of ISK 600,000 on the relevant fund or institution and shall also demand improvements.

If the fund or institution submits its annual financial statements within 30 days of the notification of the levying of an administrative fine, the District Commissioner shall reduce the amount of the fine by 90%. If improvements are made within two months of the notification of the levying of a fine, the amount of the fine shall be reduced by 60%. If improvements are made within three months of the notification of the levying of a fine, the amount of the fine shall be reduced by 40%.

Administrative fines are enforceable by execution. After deducting the cost of collection, fines shall accrue to the Treasury.

Administrative fines shall be applied regardless of whether violations are committed deliberately or through negligence.

Uncollected administrative fines are not waived even if the parties later comply with the District Commissioner's demands. An administrative fine pursuant to the first and second paragraphs may be reduced or cancelled if circumstances beyond its control have prevented the fund or institution from submitting annual financial statements within the deadline stipulated in Art. 3. The District Commissioner's authorization to do so is subject to the condition that the annual financial statements of a fund or institution have been submitted to the Commissioner in accordance with the provisions of this Act.] [1)]

[1)] Act No.112/2024. Art. 11.

Article 5

Real-estate property that is owned by a fund or institution may not be mortgaged without the approval of the [district commissioner].[1)] …[2)]

[1)] Act No. 143/2006, Art. 2. [2)] Act No.112/2024. Art. 12.

Article 6

If the structure of society and other circumstances have undergone such great changes following the approval of the charter of a fund or institution that the aims provided for in its charter cannot be achieved, or if the board cannot be appointed according to its provisions, then the [District Commissioner][1)] may amend the charter. When such amendments are made, care shall be taken to comply with the founders' wishes as far as possible. If possible, the consent of the board of the fund or institution to the amendment shall be obtained.

According to the same rules as are set forth in the first paragraph of this Article, the [District Commissioner][1)] may merge two or more funds or institutions to form a single fund or institution. In such cases, the [District Commissioner][1)] may dissolve an approved fund or institution; its assets shall be channelled to causes that are related to the original aims.

At all times, the comments of the Auditor General shall be sought before an approved charter is amended, or funds or institutions are merged or dissolved. The Auditor General may also take the initiative on adopting a position on the measures according to the above.*[1)] Act No. 143/2006, Art. 2.*

[Art. 6 a

Deliberate misrepresentation of the circumstances of a fund or institution, or other matters concerning the fund or institution, in a public advertisement or notice, reports, annual financial statements or notifications to a District Commissioner is liable to fines or imprisonment of up to two years.] [1]

[1)] Act No.112/2024. Art. 13.

Article 7

The [Minister][1)] shall set regulations[2)] containing further provisions on the contents and structure of charters and other matters regarding the application of this Act. … [3)]

[1)] Act No. 162/2010, Art. 115. [2)]Regulation No. 1125/2006 sbr. 1152/2014. Regulation No. 140/2008 sbr. 859/2016.3[2)] Act No. 112/2024, Art. 14.

Article 8

This Act shall take effect on 1 January 1989. ...

Interim provisions. ...