

To: **Landsbanki Islands hf**

Of: **Beaufort House, 15 St Botolph Street, London, EC3A 7QR**

Date: **10 October 2008**

FIRST SUPERVISORY NOTICE

TAKE NOTICE: The Financial Services Authority ("the FSA") of 25 The North Colonnade, Canary Wharf, London E14 5HS has taken the following action:

1. ACTION

1.1 For the reasons listed below and pursuant to sections 194, 196, 197 and 199 of the Financial Services and Markets Act 2000 ("the Act") the FSA has decided to impose the following requirements on you, Landsbanki Islands hf ("Landsbanki") in respect of your branch in the United Kingdom ("the branch") as precautionary steps in consequence of your breach of liquidity requirements:

a) you must preserve all information and documents that the Financial Services Compensation Scheme ("the Scheme") may consider:

(i) to be necessary for the fair determination of a claim made under that scheme in respect of the branch; or

(ii) to be necessary (or likely to be necessary) for the fair determination of other claims made (or which it expects may be made) in respect of the branch,

such that it can be provided to the Scheme in accordance with section 219 or section 220 of the Act;

- b) you must deal in an open and cooperative way with the Scheme in the discharge of its functions under the Act in relation to the branch; and
 - c) you must take reasonable steps to ensure that its agents or suppliers under outsourcing arrangements of the branch, preserve such of the information and documents referred to in paragraph (a) as they hold and that they deal in an open and cooperative way with the Scheme in the discharge of its functions under the Act in relation to the branch.
- 1.2 The information or documents referred to in paragraph 1.1(a) include:
- a) information relating to account holders, including names, addresses, other contact details, and unique or other account holder identifiers;
 - b) whether an account holder is a director, employee or manager of Landsbanki UK, or relative of such a person;
 - c) labels or descriptions of accounts or account holders, including whether an account is a trust, nominee, client, corporate, business (including whether the business is authorised under the Act), auditor, actuary, shareholder, pension or retirement fund, government, central administrative, provincial, regional, local or municipal authority account, together with any supporting evidence and details (including beneficiaries or other interests);
 - d) account data including terms and conditions, tax status, details of any linked accounts, account balances as at 8 October 2008, interest rates and accrual to the accounts;
 - e) any debts or liabilities owed by account holders including overdrafts, loans, credit cards, mortgages, guarantees, or other liabilities which are capable of being set off against account balances under the Scheme;
 - f) know your client details and records;
 - g) details of fraud checks and systems; and
 - h) details of payments systems and controls.
- 1.3 The requirement to deal in an open and cooperative way in paragraphs 1.1(b) and (c) includes:
- (a) being readily available for meetings with representatives or appointees of the Scheme as reasonably requested;
 - (b) permitting representatives of the Scheme, or persons appointed for the purpose by the Scheme, to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the Scheme's functions under the Act;

- (c) giving representatives or appointees of the Scheme reasonable access to any records, files, tapes or computer systems, which are within the firm's possession or control, and provide any facilities which the representatives or appointees may reasonably request;
 - (d) printing information in the firm's possession or control which is held on computer or on microfilm or otherwise convert it into a readily legible document or any other record which the Scheme may reasonably request;
 - (e) permitting representatives or appointees of the Scheme to copy documents or other material on the premises of the firm at the firm's reasonable expense and to remove copies and hold them elsewhere, or provide any copies, as reasonably requested; and
 - (f) answering truthfully, fully and promptly all questions which are reasonably put to it by representatives or appointees of the Scheme.
- 1.4 The requirement in paragraph 1.1(b) shall not apply to the extent that it exceeds the obligations imposed on the branch under Part XV of the Act unless the Scheme agrees to reimburse the reasonable costs that would be incurred by the branch in complying with requests made by the Scheme under that paragraph that exceed those obligations.
- 1.5 These requirements take effect immediately.

2. REASONS FOR THE ACTION

- 2.1 The FSA has concluded that in respect of your UK branch:
- a) you are contravening the liquidity requirement in GENPRU 1.2.26R and the requirement to maintain adequate financial resources in Principle 4, both of which are imposed on you under the Act; and
 - b) the FSA has decided it should exercise its power of intervention as a matter of urgency in order to protect the interests of consumers. Accordingly, it is necessary for the requirements to take immediate effect. The FSA will, at the earliest possible opportunity, inform the home state regulator and the Commission of its decision.

3. PUBLICATION

- 3.1. The FSA will publish this Notice immediately and in full.

4. DECISION MAKER

- 4.1 The decision to give this notice was made by Sheila Nicoll, Director of Retail Firms Division.

5. IMPORTANT

- 5.1. This Supervisory Notice is given to you in accordance with section 197(3) of the Act. The following statutory rights are important.

The Tribunal

- 5.2. You may refer this matter to the Financial Services and Markets Tribunal ("the Tribunal"). Under section 133 of the Act, you have 28 days from the date this Supervisory Notice was given to refer the matter to the Tribunal or such other period as specified in the Tribunal Rules or as the Tribunal may allow. A reference to the Tribunal is made by way of a written notice signed by you and filed with a copy of this notice. The Tribunal's address is: 15-19 Bedford Avenue, London WC1B 3AS (telephone 020 7612 9700). The detailed procedures for making a reference to the Tribunal are contained in section 133 of the Act and the Tribunal Rules.
- 5.3. You should note that the Tribunal Rules provide that at the same time as filing a reference notice with the Tribunal, you must send a copy of the notice to the FSA. Any copy notice should be sent to [REDACTED] at the FSA, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

Representations

- 5.4. You have the right to make written and oral representations to the FSA (whether or not you refer this matter to the Tribunal). If you wish to make written representations you must do so by 7 November 2008 or such later date as may be permitted by the FSA. Written representations should be made to [REDACTED] and sent to [REDACTED] at 25 The North Colonnade, Canary Wharf, London E14 5HS. If you wish to make oral representations, you should inform [REDACTED] of that fact by 31 October 2008. If you do not notify us by 31 October 2008, you will not, other than in exceptional circumstances, be able to make oral representations.

FSA contacts

- 5.5. For more information concerning this matter generally, you should contact [REDACTED] at the FSA (direct line: [REDACTED] / fax: [REDACTED]).