

Committee of representatives of parliamentary groups  
on removal of currency controls

5 April 2013


To the Ministry of Finance and Economic Affairs and party leaders

There has been considerable discussion in recent quarters on the settlements of the failed banks in connection with the removal of currency controls. The importance of finding a favourable channel for the settlements, not least in connection with the failed banks' ISK assets, to ensure economic stability is becoming ever more evident. The attitudes of the failed commercial banks' foreign creditors appear to have changed radically following public discussion of the nation's foreign debt position and the widespread criticism of supporting potential compositions to be concluded by the insolvent estates. In our estimation this change in attitude is not least the result of the political consensus which it has been possible to create concerning this issue, in part in the forum of the Committee of representatives of parliamentary groups.


The newly adopted Foreign Currency Act, supported by all parties in the Althingi, which replaced the provision that the currency controls should be removed before the end of 2013 with an unlimited authorisation for the controls, together with other important amendments, are evidence of this. It could therefore be said that general consensus now prevails that the currency controls will not be relaxed without the achievement of an overall solution, which covers all aspects of the question, whether this concerns the original "impending avalanche" so-called, the settlement of all failed commercial banks or the rules which need to be adopted to ensure financial stability in Iceland after the removal of the currency controls.

There is reason to underline the necessity of approaching the removal of capital controls from an overall perspective. The resolution of specific problems within the control regime can delay their removal as a whole and even threaten financial and exchange rate stability. The Committee is of the opinion that these views need to be communicated at this point in time, as there have been media reports of interest by investors, including pension funds, in acquiring stakes in Arion Bank or Íslandsbanki. Such speculations, however, are completely premature, as such a major change within the currency controls cannot take place unless the manner of their overall removal is established. In the Committee's estimation, there is need to seek the assistance of outside/foreign experts to ensure the necessary oversight of the currency removal procedure, reinforce the process and ensure consultation between the parties responsible for these issues. The state's involvement in this matter also needs to be clarified.

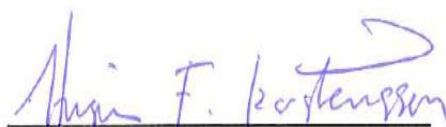
At this point, the Committee does not make a proposal for one route rather than any other. Nonetheless, the Committee does emphasise that efforts need to begin as soon as possible on resolving this task to the benefit of the nation as a whole. The Committee expresses its willingness to continue to serve as a forum for cross-political collaboration in ensuring the successful progress of this important issue.



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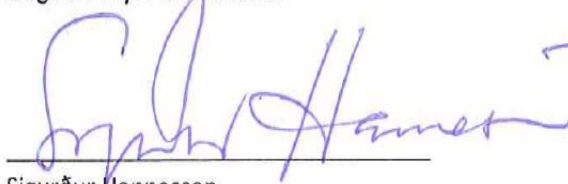
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