

# General terms for Icelandic Treasury bills



The Ministry of Finance and Economic Affairs undertakes Treasury borrowing, issuance and sale of Treasury securities in the domestic market, and other debt management activities for the Treasury. As is authorised by law, the Ministry has entrusted the Central Bank of Iceland with the above-specified tasks pursuant to the Treasury debt management agreement between the Ministry of Finance and Economic Affairs and the Central Bank of Iceland, dated 29 January 2019. Treasury debt management shall be carried out on the basis of the Ministry's issued debt management strategy in accordance with each National Budget. The Government Debt Management Department within the Central Bank of Iceland issues Treasury securities on behalf of the Ministry under the name of Endurlán ríkissjóðs, on the account of and at the risk of the Treasury.

## 1. General

1.1. Icelandic Treasury bills are issued in Icelandic krónur (ISK) and are originally issued for up to twelve months from issuance date to maturity date. The nominal value unit of Treasury bills is one Icelandic króna (ISK 1); i.e., the nominal value and the number of units are the same.

1.2. Icelandic Treasury bills bear no interest and are issued without price indexation.

1.3. The Central Bank is authorised to increase the volume of issued Treasury bills at any time.

1.4. The Central Bank, on behalf of the Treasury, undertakes to pay Icelandic Treasury bills at maturity. At maturity, the issuer pays the nominal value of the Treasury bill unless otherwise provided for explicitly at the time of issuance of the bill concerned.

## 2. Issuer. Jurisdiction and venue

2.1. The issuer of Icelandic Treasury bills is Endurlán ríkissjóðs, national ID no. 471283-0459, on behalf of the Icelandic Treasury. The Government Debt Management Department of the Central Bank of Iceland carries out issuance in the name of Endurlán ríkissjóðs.

2.2. The issuer's activities are based on the Act on Government Debt Management, no. 43/1990, with subsequent amendments; cf. the 29 January 2019 agreement between the Ministry of Finance and Economic Affairs and the Central Bank.

2.3. The purpose of Treasury bill issuance is to acquire domestic borrowed funds for the Treasury.

2.4. Issuance of Icelandic Treasury bills is subject to Icelandic law as current at any given time.

2.5. Any legal action resulting from these Treasury bills or any disagreement concerning the interpretation of these terms may be referred to the District Court of Reykjavík, pursuant to the provisions of Chapter 17 of the Code of Civil Procedure, no. 91/1991.

## 3. Sale of Icelandic Treasury bills

3.1. Icelandic Treasury bills are sold by auction or by another method determined by the Central Bank.

3.2. The Central Bank, as the agent of the Treasury, sells Treasury bills in the name of the issuer.

3.3. The general terms and conditions for Treasury bill auctions can be found in Appendix 1.

## 4. Securities exchange listing and settlement

4.1. Icelandic Treasury bills are listed on the securities exchange. The bills are identified on the exchange by the code RIKV and a number representing the maturity date of the bill concerned, in the format *RIKV yy mmdd*.

4.2. In general, auction transactions with Treasury bills shall be settled two banking days after the auction

date. The issuer may decide on another arrangement for settlement prior to the auction date. A banking day is a day when both financial institutions and central securities depositories in Iceland are open.

4.3. Entitlement to payment on a Treasury bill is determined by the registration of title on the date of record. The date of record is one banking day prior to the payment date for the principal amount and is determined by the central securities depository's ownership register at the end of that day.

## 5. Pricing

5.1. Interest rates on Treasury bills are calculated using the following formula:

$$r_f = \frac{360}{d} * \left( \frac{N}{P} - 1 \right)$$

$r_f$  = simple interest rate

$d$  = days to maturity

$N$  = 100 (price at maturity)

$P$  = purchase price of the bill

Prices of bills are calculated using the following formula:

$$P = \frac{N}{\left( 1 + \left( r_f * \frac{d}{360} \right) \right)}$$

5.2. The day count rule for the price calculation is on an actual/360 basis. The ICMA method is used for the calculation. In calculating dirty prices derived from clean prices, six decimal places are used.

## 6. Registration at central securities depository

6.1. Treasury bills are registered electronically at the central securities depository. They are assigned an International Securities Identification Numbering System (ISIN) number. Treasury bills are not issued in physical form.

6.2. Treasury bills may only be transferred to a named party at the central securities depository. A national identification number must be provided with the name of the beneficiary. Account operators as defined in the Act on Electronic Registration of Title to Securities, no. 131/1997, are the only entities authorised to act as intermediaries in the transfer of the bills. Registration of title to an electronic security certificate in a central securities depository, following final entry by the central securities depository, grants the registered owner legal authority to the rights of which he is the

registered owner. There are no other restrictions on the transfer of title to these bonds.

## **7. Notices**

7.1. Planned issuance of Treasury bills, expansion of previous issues, and auction results are announced publicly and on the Government Debt Management website: [www.lanamal.is](http://www.lanamal.is).

## **8. Expiry of claims**

8.1. The expiry, due to lapse of time, of claims deriving from the bills is governed by the Act on the Expiration of Obligations, no. 150/2007.

## **9. Force majeure**

9.1. The Government of Iceland and the Central Bank of Iceland shall not be held liable for losses due to delayed payment at maturity if such delay arises from events for which they cannot be held responsible, such as acts of war, civil unrest, acts of terrorism, acts of vandalism, power outages, electronic communications malfunction, system failures, natural disasters, or other events that would be interpreted under Icelandic law as falling under the category of *force majeure*. In the same manner, the Government of Iceland and the Central Bank of Iceland shall not be held liable for losses due to delayed payment of principal if such delay arises from strikes, work stoppages, trade embargoes, or blockades, even if the Government of Iceland is itself a party to the conflict, and even if the events affect only part of the Government's activities.

## **10. Amendments to the general terms for Icelandic Treasury bills**

10.1. These terms may be amended unilaterally by the Central Bank of Iceland. Any such amendments shall apply to Treasury bills that are issued after the amendments have been published. The current terms can be found on [www.lanamal.is](http://www.lanamal.is).

10.2. The Central Bank of Iceland may decide, without prior notice, that Treasury bill issuance, registration at the central securities depository, and listing on the securities exchange shall be carried out differently than is described in these general terms.

## **11. Exemption from preparation of a prospectus and restrictions on sale of Treasury bills**

11.1. Treasury bills are exempted from the provisions of the Act on Securities Transactions, no. 108/2007, pertaining to auctions and admission of securities for trading, cf. Chapter VI of the Act, including the provisions on preparation of prospectuses.

11.2. Treasury bills have not been and will not be registered according to the United States Securities Act

of 1933, nor according to other legislation on securities transactions in any jurisdiction within the United States of America. Accordingly, it is prohibited to offer, sell, resell, hypothecate, or otherwise transfer Icelandic Treasury bills within the United States of America, except: (A) (i) to individuals who are classified as qualified institutional buyers as defined in Rule 144A in US securities trading legislation and who buy them for their own account or for the account of one or more qualified institutional buyers in transactions that satisfy the requirements laid down in Rule 144A; (ii) in transactions outside the boundaries of the United States of America, in accordance with the requirements of Rule 903 or Rule 904 of Regulation S in US securities trading legislation; (iii) in accordance with an exemption from registration according to Rule 144, if applicable, in US securities trading legislation; (iv) in accordance with some other exemption from the registration requirements according to US securities trading legislation; or (v) in accordance with a valid statement of registration according to US securities trading legislation; and (B) in accordance with current securities law in the United States of America and other jurisdictions.

11.3. Treasury bills may not be bought for the account of parties residing or domiciled in a jurisdiction where such transactions would be illegal, nor may they be transferred to parties residing or domiciled in a jurisdiction where such transfer would be illegal.

## **12. Other information**

12.1. Tax treatment of purchases, custody, or sales of Icelandic Treasury bills is the sole responsibility of the purchaser/custodian/seller. The Central Bank of Iceland advises purchasers, custodians, and sellers of Icelandic Treasury bills to seek advice from their own tax consultants with respect to Icelandic tax law or other tax treatment of purchases, custody, or sales of Icelandic Treasury bills.

12.2. Tax treatment of Treasury bills is subject to current tax law in Iceland.

12.3. The issuer's chartered auditor is the Icelandic National Audit Office, national ID no. 540269-1819, Bríetartún 7, 105 Reykjavík; e-mail address: [postur@rikisend.is](mailto:postur@rikisend.is).

12.4. These terms have been translated into English. In case of a discrepancy between the English and Icelandic versions of this document, the Icelandic shall prevail.

12.5. Treasury bills are exempt from stamp fees according to Article 3 of Act no. 79/1983.