

The Ministry of Finance presents the Treasury's Medium Term Debt Management Strategy for 2012-2015

The Medium Term Debt Management Strategy 2012-2015 sets forth the Government's plans for debt financing plans for the specified period. It provides a description of the composition of the debt portfolio, inherent risk factors and contingent liabilities. The institutional structure regarding debt management is also described.

The Ministry of Finance is responsible for the central government's debt management, sets the strategy and makes decisions regarding debt issues. A special section within the Central Bank of Iceland, Government Debt Unit, is responsible for the implementation of the Treasury's debt management policies.

The Medium-Term Debt Management Strategy is now published for the second time. The revised strategy includes two changes to objectives and guidelines for debt management. On the one hand, minor changes are made to guidelines for the composition of the Treasury's debt portfolio. On the other hand, the target size of new Treasury bonds will be changed so that, when a bond is issued for only two years, the final size of the series will be a minimum of 15 bn.kr. In other respects, the objectives for final Treasury bond series size are unchanged.

The Government's overall debt management objectives are:

- To ensure that, over the medium to long term, the Government's financing needs and financial obligations are met at the lowest possible cost that is consistent with a prudent degree of risk.
- To establish a sustainable debt service profile consistent with the Treasury's medium-term payment capacity.
- To promote the maintenance and further development of efficient primary and secondary markets for domestic Treasury securities.
- To broaden the Government's investor base and diversify funding sources.
- The Medium-Term Debt Management Strategy will be updated and revised annually.

Benchmark issues of Treasury bonds are structured so that each series is large enough to ensure effective price formation in the secondary market. The benchmark Treasury bond series will be issued each year with maturities of 2, 5 and 10 years. In order to reduce refinancing risk, it is intended to keep the redemption profile of Treasury securities as smooth as possible over time. The average time to maturity should equal or exceed 4 years.

The Government's foreign currency borrowings are carried out primarily to strengthen the Central Bank's foreign exchange reserves. Going forward, the foreign currency borrowing strategy is aimed at securing regular access to international capital markets and maintaining a well- diversified investor base.

The Medium Term Debt Management Strategy 2012-2015 will be accessible on the Ministry's website

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