



GOVERNMENT DEBT MANAGEMENT

Kalkofnsvegi 1 150 Reykjavík Iceland
phone: 569 9600 fax: 569 9604
email: lanamal@lanamal.is
internet: <http://www.lanamal.is>

To newspapers, newsrooms,
and financial institutions

Press Release
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Capital account liberalisation: simultaneous measures by Government Debt Management

The Ministry of Economic Affairs' press release concerning the removal of the capital controls, issued on 25 March 2011, states, *inter alia*, that owners of foreign currency will have the option of purchasing Icelandic krónur in Central Bank auctions, provided that they invest the krónur in bonds issued by the Treasury of Iceland.

On this occasion, an index-linked Treasury bond series maturing in 2030 will be issued. Issuance of Treasury bills and Treasury bonds will be reduced by an amount corresponding to the amount sold in the new series. Total issuance for the year will therefore conform as closely as possible to that specified in *Government Debt Management Prospect 2011*, which was publicised in late December 2010. In order to ensure issuance in the market in the event of significant demand for the new series, the Treasury will issue bonds with market making for a total of at least 26 b.kr. for remainder of the year.

Other Treasury bond issuance during the year will therefore be determined by demand for the new series. In *Government Debt Management Prospect 2011*, Government Debt Management announced plans to issue Treasury bonds for 120 b.kr. and the balance of Treasury bills was set at 60 b.kr. At present, 34 b.kr. of bonds has been issued. Total Treasury bond issuance for the year will therefore be a minimum of 60 b.kr. and the minimum issuance of Treasury bills will be ensured. Emphasis will be placed on issuing Treasury bonds with maturities of at least five years.

The new index-linked series will be similar to RIKS 21 0414 in structure. The series will not be market making at this time. A more detailed description of the interest rate and other terms and conditions will be announced later.

The aim of this change in the Debt Management Prospect is to ensure that the net sale of Treasury securities remains unchanged in spite of measures under the capital account liberalisation strategy that centre on Treasury issuance.

Further information can be obtained from Ingvar H. Ragnarsson at the Ministry of Finance, at tel +354 545 9200, and from Björgvin Sighvatsson at Government Debt Management, at tel +354 569 9633.