



GOVERNMENT DEBT MANAGEMENT

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

Press Release

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Signing of Agreements regarding Issuance of Treasury Securities and Market Making in the Secondary Market

Today the Government Debt Management on behalf of the Treasury and Primary Dealers signed agreements regarding Issuance and Market Making in Treasury securities. The objective of the agreements is to maintain the Treasury's access to loan financing and to enhance price formation in the secondary market for Government securities.

As of April 1, 2012, five financial undertakings have been appointed as "Primary Dealers in Treasury securities". They are: Islandsbanki, MP Bank, Landsbankinn, Arion Bank, and Straumur Investment Bank.

The following bullet points describe the content of the Agreement:

- Primary dealers have exclusive access to auctions of Treasury securities.
- Primary dealers have exclusive access to securities lending facility offered by the Government Debt Management on behalf of the Treasury.
- Primary dealers are obliged to submit bids at each auction for a minimum of 100 m.kr. at nominal value.
- Primary dealers are Market Makers in the secondary market for Treasury benchmark series. They are obliged to submit bid and ask offers on the NASDAQ OMX Exchange Iceland for at least 100 m.kr. nominal value in each benchmark series.
- Primary dealers are in their bid and ask quotes governed by maximum spreads as laid out in the agreements.
- Primary dealers are obliged to renew their offers within ten minutes after execution of transaction. The primary dealer is entitled to depart from the maximum spread requirement if certain conditions are fulfilled.
- The agreement is valid from April 1, 2012 to March 31, 2013.

A sample agreement is attached that provides comprehensive information on the Primary dealers rights and obligations.

Further information can be obtained from Björgvin Sighvatsson in the Government Debt Management at +354 569 9600.