SAMPLE

AGREEMENT CONCERNING ISSUANCE OF TREASURY SECURITIES AND MARKET MAKING IN THE SECONDARY MARKET
Agreement concerning issuance of Treasury securities and market making in the secondary market

The Central Bank of Iceland, national ID no. 560269-4129, on behalf of the Treasury, hereinafter referred to as the Central Bank and [●] hf., national ID no. [●], hereinafter referred to as the primary dealer, conclude the following agreement concerning issuance of Treasury securities and market making in the secondary market.

This agreement is identical to the agreements concluded with other primary dealers, which are dated on the same day as this agreement.

The objective of this agreement is to maintain the Treasury’s access to loan financing and to enhance liquidity in the secondary market for Treasury securities.

Article 1

Auctions of Treasury securities and primary dealer access
(i) Treasury securities will be auctioned regularly and announced on accepted global newswire distribution service at least one trading day prior to an auction.
(ii) Primary dealers have exclusive access to auctions of marketable Treasury bonds falling under the provisions of Article 8.
(iii) After the results of the auction of Treasury securities are available, the Central Bank may offer primary dealers the equivalent of 10% of the nominal value sold in the auction, at the average price of accepted bids. Each primary dealer that has submitted an accepted bid in the auction has the right to purchase an amount proportional to its total purchase. Example: A primary dealer purchases for 1 b.kr. in an auction and is therefore entitled to purchase for an additional 100 m.kr. at the average price of accepted bids in the auction.

Article 2

Obligations of primary dealers in auctions
Each primary dealer is obliged to submit bids at each auction for a minimum of 100 m.kr. at nominal value. Bids shall be in line with the published terms of the auction and in accordance with current market prices for issued series Treasury securities and other financial instruments that could be considered similar at the time in question.

If, for any reason, a primary dealer neglects to submit a bid for an individual auction and does not explain the reason for so doing before the deadline for the auction, the Central Bank shall be authorised to reduce the commission paid to that dealer, cf. Article 5, by 1 m.kr. in each instance.

Article 3

Obligations of primary dealers in the secondary market
The online trading platform referred to in this agreement is the online trading platform of NASDAQ Iceland hf., id.no. 681298-2829 (i.e. Kauphöll Íslands hf.) in Iceland or other trading platform that participants agree to use.

Each primary dealer is obliged to submit bids and offers to the trading system before the market opening for the series falling under the provisions of Article 8. The minimum trading lot shall always be 100 m.kr. nominal value for each series, except RIKS 30
0701 and RIKB 31 0124 where the minimum trading lot shall always be 80 m.kr. nominal value. Furthermore, each primary dealer is required to renew his partly or fully accepted offers within 10 minutes of execution.

The maximum spread between primary dealers’ bidding and asking prices is determined by the price of valid offers. The maximum spread is determined by time to maturity, as follows:

<table>
<thead>
<tr>
<th>Maturity date</th>
<th>Maximum spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months to 2 years</td>
<td>0.15%</td>
</tr>
<tr>
<td>2 to 4 years</td>
<td>0.25%</td>
</tr>
<tr>
<td>4 to 6 years</td>
<td>0.30%</td>
</tr>
<tr>
<td>6 to 9 years</td>
<td>0.50%</td>
</tr>
<tr>
<td>9 to 12 years</td>
<td>0.60%</td>
</tr>
<tr>
<td>12 to 18 years</td>
<td>0.90%</td>
</tr>
<tr>
<td>18 years and longer</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

The following Treasury securities are exempt from the maximum spread requirements. The primary dealer is nonetheless obliged to submit bids for a minimum of 100 m.kr. in each series:

<table>
<thead>
<tr>
<th>Maturity date</th>
<th>Maximum spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury securities with a maturity of six months or less</td>
<td>No defined minimum spread. Bid shall be submitted.</td>
</tr>
</tbody>
</table>

Primary dealers are not obliged to act as market makers for Treasury bills. If a primary dealer's total transactions in one series during a single day equal 600 m.kr. nominal value (marked as “AUTO”), the primary dealer is entitled to deviate from above-specified maximum spread between bid and ask quotes for that particular series for the remainder of that day. In order for a primary dealer to deviate from above-specified maximum spread, offers from that primary dealer must have been accepted for 300 m.kr. for that particular series.

The primary dealer grants the Central Bank access to information concerning its quotes and transactions on the information system for all series of Treasury securities. The primary dealer also authorises the publication of information concerning its market share in the primary market.

**Article 4**

**Communications and information disclosure**

The primary dealer shall designate an employee to act as a liaison with the Central Bank with respect to the provisions of this agreement. Primary dealers are responsible for those parties that represent them in interaction with the Central Bank. The Central Bank shall meet with primary dealers as necessary. At the request of the Central Bank, the primary investors shall give information on purchasers in Treasury auctions, categorised by type of investor, to the Central Bank.

**Article 5**

**Payment and calculation of commission**

The commission is divided into the following parts:

(i) The Central Bank pays primary dealers a commission amounting to 0.10% of the market price of accepted bids in auctions of Treasury securities with

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a time to maturity exceeding three (3) years. The Central Bank shall pay a commission amounting to 0.04% of the market price of accepted bids in auctions of Treasury securities with a time to maturity of three (3) years or less. On the settlement date for the auction, the commission shall be deducted from the primary dealer’s payment for the purchase of the securities. No commission shall be paid for auctions of Treasury bills.

(ii) On 17 October 2019 and 16 April 2020, the Central Bank pays the primary dealer a commission that is calculated as his share of all primary dealers’ transactions on the trading system (transactions marked as “AUTO”), in series specified in Article 8 for the preceding six calendar months respectively. Calculation of commission is based on transactions by primary dealers only, not transactions of others dealers at the same financial firm. The total amount at all primary dealers’ disposal is 90 m.kr. 17 October 2019 and 90 m.kr. 16 April 2020.

Article 6
Restrictions on issuer purchases on marketable securities
The Central Bank, on behalf of the Treasury, is not allowed to execute bids submitted by the primary dealers to the trading system with market making series with a longer maturity than 6 months.

Article 7
Authorisation to directly debit the Primary Dealer’s accounts
The Primary Dealer authorises the Central Bank to directly debit its accounts no. [●] and no. [●], at the Central Bank for all transactions related to auctions and securities lending and any settlement of business related to auctions and securities lending, including but not limited to all costs and fees. The Primary Dealer is obliged to have sufficient funds available on its business accounts.

Article 8
Market making series
The Market making series covered by this agreement are as follows: RIKB 20 0205, RIKB 22 1026, RIKB 25 0612, RIKB 28 1115, RIKB 31 0124, RIKS 21 0414, RIKS 26 0216, RIKS 30 0701 and other series of Treasury bonds that are issued during the term of this agreement or other series of Treasury bonds that may be converted to a Market making series.

Other
Article 9
In case of a serious market disturbance, the Central Bank may, with primary dealers’ majority consent, change or temporarily suspend individual provisions of this agreement.

Article 10
Primary dealers have access to special service such as securities lending facilities provided by the Central Bank. The Central Bank sets rules concerning securities lending facilities provided to primary dealers that parties of this contract shall obey.
Article 11
The Central Bank reserves the right to conclude identical agreements with new primary dealers during the term of this agreement. Such agreements, if concluded, will take effect upon signing and will not be retroactive with respect to commissions.

Article 12
The Central Bank reserves the right to amend the agreement during the contract period and change the market making arrangement on “on-the-run” and “off-the-run” series.

Article 13
This agreement shall take effect on 1 April 2019 and shall expire on 31 March 2020. Each party can terminate this agreement with two months’ notice. If either party considers that a serious violation of the provisions of this agreement has taken place, that party may terminate the agreement without further notice. On the effective date of this agreement, all previous agreements between the signatories concerning issuance of Treasury securities and market making in the secondary market shall expire.

This agreement is translated into English; however, the Icelandic original shall be considered the authoritative text.

Reykjavík, 14 March 2019.

CENTRAL BANK OF ICELAND
On behalf of the Treasury

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