

Press Release

November 28, 2008

Signing of Agreements Regarding Issuance and Market Making in Government securities

This morning the Central Bank of Iceland on behalf of the Treasury signed agreements regarding Issuance and Market Making in Government 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 December 1, 2008, five financial institutions have been appointed as "Primary Dealers in Government securities". They are: Nýi Glitnir, Nýi Kaupthing, NBI (Landsbanki), MP Bank and Straumur Burdaras Investment Bank.

The following bullet points describe the content of the Agreement:

- Primary dealers have exclusive access to auctions of Government securities.
- Primary dealers have exclusive access to securities lending facility offered by the Central Bank 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 OMX Nordic Exchange Iceland for at least 50 m.kr. at 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. If the primary dealer's total transactions in one series during single day equal 300 m.kr. nominal value, the primary dealer is entitled to depart from the maximum spread requirement for that particular series for the remainder of that day.
- The agreement is valid from December 1, 2008 to May 31, 2009.

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