



Government Debt Management

Sample

PRIMARY DEALER AGREEMENT

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

For the purposes of the primary dealer agreement, government bonds are domestic bonds issued by the Icelandic Treasury, but Treasury securities include both government bonds and Treasury bills issued domestically by the Treasury.

Article 1

Scope and objectives of the primary dealer agreement

The objectives of this agreement are to maintain the Treasury's access to credit financing, to enhance price formation in the secondary market for Treasury securities and promote an active system of benchmark issues in Iceland, with the aim of creating criteria for the issuance of other bonds in Icelandic krónur, among other things.

The Central Bank shall publish a list of primary dealers in Treasury securities. Those entities that have signed this agreement are permitted to refer to themselves as primary dealers in Icelandic Treasury securities.

Article 2

Treasury securities auctions and primary dealers' access to them

Treasury securities auctions will be held on a regular basis and will be announced via a recognised information system at least one business day in advance.

Primary dealers pledge to submit bids for at least 100 m.kr. nominal value in each auction of Treasury securities. Bids shall be in line with the published terms of the auction and in accordance with current market prices for issued series of Treasury securities and other financial instruments that could be considered similar at the time in question.

Only primary dealers are authorised to submit bids in regular auctions of Treasury bills and government bonds.

After the results of government bond auctions are available, the Central Bank may invite each primary dealer to purchase an additional 10% of the nominal value that the dealer concerned purchased in the auction, at the average price of accepted bids. Each primary dealer that 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.

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 the dealer, cf. Article 6, by 1 m.kr. in each instance.

Article 3

Market making in the secondary market

The trading system for market making according to the primary dealer agreement is the trading system of Nasdaq Iceland hf., National ID no. 681298-2829, or another system decided upon following consultation with primary dealers.

Primary dealers are not obliged to conduct market making with Treasury bills according to this agreement.

Each primary dealer is obliged to submit bids and offers to the trading system before the market opening for the government bonds specified in the following table. Bids and offers shall be of the stated minimum nominal values:

<i>Nominal Series</i>	<i>Minimum nominal value, kr.</i>
RIKB 25 0612	100,000,000
RIKB 26 1015	100,000,000
RIKB 27 0415	100,000,000
RIKB 28 1115	100,000,000
RIKB 31 0124	100,000,000
RIKB 35 0917	100,000,000
RIKB 38 0215	100,000,000
RIKB 42 0217	100,000,000
<i>Inflation-linked Series</i>	
RIKS 26 0216	80,000,000
RIKS 30 0701	60,000,000
RIKS 33 0321	60,000,000
RIKS 37 0115	100,000,000

Similarly, the primary dealer pledges to submit bids and offers on new government bond series issued during the term of the agreement, when the size and distribution of ownership in the series concerned give the issuer cause to decide that market making should begin. The Central Bank's Government Debt Management Department will notify primary dealers when market making with new bond series commences. Bids on any new government bond series that may be issued during the term of the agreement shall have a minimum nominal value of 100 m.kr., unless the Government Debt Management decides that the amount shall be lower.

Primary dealers are required to renew their bids in the system within 10 minutes of their being accepted either in full or in part.

Primary dealers' maximum bid-ask spreads are determined by the price of valid bids. The maximum bid-ask spread is decided based on time to maturity as of the trade date, subject to the following maximum values:

<i>Time to maturity</i>	<i>Maximum spread</i>
2 years or less	0.15%
2 to 4 years	0.25%
4 to 6 years	0.30%
6 to 9 years	0.50%
9 to 12 years	0.60%
12 to 18 years	0.90%
18 years and over	1.00%

The following government bonds are exempt from requirements concerning maximum bid-ask spreads:

<i>Time to maturity</i>	<i>Maximum spread</i>
Inflation-linked government bonds maturing in six months or less.	No defined minimum spread. Bid shall be submitted.

If a primary dealer's total transactions in a given series on a single day equal 600 m.kr. nominal value (marked as Standard), that primary dealer is entitled to derogate from the maximum bid-ask spread specified in the table above for that series for the remainder of that day. In order for a primary dealer to derogate from the above-specified maximum spread, bids from that primary dealer must have been accepted for 300 m.kr. for the series concerned.

Article 4

Restrictions on issuer purchases of own series

The Central Bank, on behalf of the Treasury, is not authorised to accept offers submitted in the trading system by market makers for government bonds, according to Article 3, if the time to maturity exceeds one year.

Article 5

Communications and information disclosure

Primary dealers shall appoint an employee to act as a liaison with the Central Bank on matters relating to the provisions of the primary dealer agreement. Primary dealers are responsible for those parties that represent them in interactions with the Central Bank. The Central Bank holds meetings with primary dealers as it deems necessary. If the Central Bank so requests, primary dealers shall provide the Bank with information on purchasers in Treasury securities auctions, categorised by type of investor.

Primary dealers grant the Central Bank access to information on their bids and transactions in trading systems, for all Treasury securities. Primary dealers also authorise the publication of information on their market share in the primary market.

Primary dealers shall endeavour to analyse the market for Treasury securities and inform the Central Bank of conditions in the Treasury securities market, as well as recommending measures to improve the functioning of the market, as applicable.

Article 6

Payment and calculation of commissions

Commissions specify as follows:

- (i) The Central Bank pays primary dealers a commission amounting to 0.10% of the market value of accepted bids in auctions of government bonds with a time to maturity of more than three years. The Central Bank pays primary dealers a commission amounting to 0.04% of the market value of accepted bids in auctions of government bonds with a residual maturity of three years or less. On the settlement date for the auction, the Central Bank deducts the commission from primary dealers' payments for government bonds. No commission shall be paid for auctions of Treasury bills.
- (ii) The Central Bank pays each primary dealer a fixed commission. The total amount available for distribution is 110 m.kr. on 15 October 2025 and 110 m.kr. on 15 April 2026 and the commission is split equally between primary dealers.

Article 7

Settlement of securities transactions and authorisation for direct debit from current accounts

Settlement of auctions, repurchase agreements or other securities transactions with the Central Bank is executed through delivery versus payment settlement process at a central securities depository (DVP). The primary dealer pledges to have sufficient funds available in the LOM account in the MBK system, for each settlement round on settlement date, until settlement has taken place.

The primary dealer declares that the Central Bank is authorised to direct-debit account no. [●] with the Bank in connection with special facilities according to Art. 9, and for all expenses in connection with the primary dealer's transactions with the Bank. The primary dealer pledges to have sufficient funds available in the account concerned.

Article 8

Serious market disturbances

In case of a serious market disturbance, the Central Bank may, upon obtaining the consent of a majority of primary dealers, amend or temporarily suspend individual provisions of the primary dealer agreement.

Article 9

Special facilities for primary dealers

Primary dealers have access to special facilities provided by the Central Bank on behalf of the Treasury, such as repurchase agreements for government bonds. The Bank on behalf of the Treasury sets separate rules on facilities for primary dealers, and the parties to this agreement must comply with them.

Other provisions

Article 10

The Central Bank reserves the right to enter into identical agreements with new primary dealers during the term of this agreement, and any such agreements will take effect upon signature rather than being retroactive as regards the share in commissions.

Article 11

The Central Bank reserves the right to make amendments to market making arrangements for “on-the-run” and “off-the-run” series.

Article 12

The primary dealer agreement shall take effect on 1 April 2025 and remain in effect through 31 March 2026. Either party may terminate the 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 advance notice. This agreement renders all previous agreements between the parties concerning Treasury securities issuance and market making in the secondary market null and void.

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

The primary dealer agreement has been translated into English; however, the Icelandic original shall be considered the authoritative text.

Reykjavík, [●] 2025

CENTRAL BANK OF ICELAND

On behalf of the Treasury

[●] HF.