

RULES

on Central Bank of Iceland Facilities for Market Makers

1. A member of Iceland Stock Exchange that acts as a market maker on its own account, cf. item 4 below, for the Treasury-guaranteed benchmarks which are listed on the Stock Exchange and stated in the accompanying Appendix, and that intends to continue acting as a market maker for those instruments, is entitled to access to the Central Bank's weekly repo transactions, cf. item 3 of the Central Bank's Rules on the Calculation and Accounting of Interest, etc., currently from May 19, 1998, provided that it fulfils the provisions of item 3 below on capital adequacy.
2. Entities intending to act as market makers for the said benchmarks shall give written notification to the Central Bank and Iceland Stock Exchange of their decision to that effect, and access to repo transactions is conditional upon this having been done. The market maker shall also therewith grant the Central Bank access to information about its bids and trading on Iceland Stock Exchange in the bond classes specified in the accompanying Appendix. If a market maker intends to cease to act as a market maker it shall notify the Central Bank of its decision with a minimum of one month's notice, and its access to Central Bank repo transactions will be cancelled at the end of that period.
3. The minimum capital position of entities acting as market makers as defined in these Rules, and that have access to Central Bank facilities, shall be 300 m.kr., but always 8% or higher in accordance with the provisions of current rules on capital adequacy. If the capital position of an entity acting as a market maker falls below these limits, it shall notify the Central Bank immediately that this becomes apparent and its entitlement to access to repo facilities shall be withdrawn from that time until it has enhanced its capital position.
4. "Acting as a market maker" refers here to the daily quotation of buying and selling bids on Iceland Stock Exchange for the relevant benchmarks in the minimum amount of 20 m.kr. per bid. Furthermore, a market maker is obliged to renew bids on the Stock Exchange within 10 minutes of their having been accepted. Quotation of sale bids is conditional on the market maker having the securities available for sale, and it shall always attempt to present two-way quotes. If trading in one business day reaches 200 m.kr., however, the market maker may cease to present bids. A market maker shall ensure that the spread between buying and selling yields is within reasonable limits.
5. These Rules, which are set with reference to Article 11 of Act No. 36 from May 5, 1986, on the Central Bank of Iceland, enter into force on June 2, 1998. At the same time, Rules No. 544 on Central Bank Facilities for Market Makers from September 15, 1997 are abrogated. These Rules may be changed without notice.

Reykjavík, May 29, 1998
Central Bank of Iceland,

Birgir Ísl. Gunnarsson

Eiríkur Guðnason

A P P E N D I X

List of benchmark Treasury-guaranteed bonds cf. the Central Banks' Rules on Facilities for Market Makers

Treasury bonds

RS99-0210/K
RS00-0210/K
RB00-1010/KO
RS01-0201/K
RS02-0401/K
RS03-0210/K
RB03-1010/KO
RS04-0410/K
RS05-0410/K
RS06-0502/A
RS10-0115/KI
RS15-1001/K

Total: 12 benchmarks, of which two are non-indexed.

The above list may be changed by the Central Bank with a month's notice.

Reykjavík, May 29, 1998
Central Bank of Iceland,

Birgir Ísl. Gunnarsson

Eiríkur Guðnason