

## RULES on price indexation of savings and loans

### Article 1

#### *General provisions on price indexation*

Price indexation of savings and loans shall be based on the consumer price index as published by Statistics Iceland on a monthly basis; cf. the provisions of Chapter VI of the Act on Interest and Price Indexation, no. 38 of 26 May 2001, unless otherwise specified by law. Price indexation of amounts for a portion of the month shall be carried out so that indexation within the month is based on the daily linear change in the consumer price index; i.e., between the index value on the date of calculation and the index value on the first day of the month immediately following.

### Article 2

#### *Indexed savings accounts*

Deposit institutions are only authorised to accept savings versus indexation using the consumer price index if the deposit is tied for a term of 36 months or longer.

Deposit institutions are authorised to apply indexation to deposits in the following instances, however:

1. If contractual terms and conditions stipulate that the deposit shall be available for withdrawal for a specified period, not to exceed one (1) month, at the end of the original term deposit period, which shall be at least 36 months, according to Paragraph 1. At the end of the withdrawal period, the deposit shall be tied again and can be cancelled with three (3) months' notice. After the agreed commitment period for deposited funds begins, it shall be counted from the date the deposit is made.
2. With an agreement providing for regular monthly savings for a period of at least 36 months. If the amount deposited in a given month exceeds the agreed amount of regular savings, a new commitment period shall begin with respect to the amount in excess of the regular savings.
3. On vacation pay accounts in accordance with the Vacation Pay Act, no. 30 of 27 March 1987.

### Article 3

#### *Indexed loans*

Price indexation of loans is therefore permissible only if the term of the loan is at least five (5) years.

The principal of the loan shall change in proportion to changes in the consumer price index from the base index value until the first payment due date, and then in proportion to changes in the index between payment due dates. The principal of the loan shall change on each payment due date before interest and instalments are calculated. The value of the base index to be applied when the loan is granted shall be calculated in the same manner unless the agreement or the nature of the case concerned indicates otherwise.

In general, payment receipts shall specify in detail the calculation of the payment and accrued indexation.

Paragraph 1 notwithstanding, the Treasury is authorised to issue indexed Treasury bonds even if the time to maturity is less than five (5) years.

#### Article 4

##### *Loans linked to a share price index*

A loan agreement may be based on a share price index, domestic or foreign, or a basket of such indices that do not measure changes in the general price level. This does not apply to consumer loans or to real estate mortgage loans issued to consumers, however. The term of the loan shall be governed by Article 3, Paragraph 1, and the technical execution of the loan documents shall be governed by Article 3, Paragraphs 2 and 3.

#### Article 5

##### *Entry into force, etc.*

These Rules are adopted in accordance with the authorisation in Article 15, Paragraphs 1 and 3, of Act no. 38 of 26 May 2001, and have been approved by the Minister of Finance and Economic Affairs, cf. Article 15, Paragraph 1 of the same Act, and take effect on 1 November 2018. At the same time, the Central Bank of Iceland Rules on Price Indexation of Savings and Loans, Etc., no. 492 of 21 June 2001, shall cease to apply.

Reykjavík, 4 October 2018

*Central Bank of Iceland*

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