



National Debt Management Agency

AGREEMENT REGARDING ISSUANCE AND MARKET MAKING IN GOVERNMENT SECURITIES

This is an English version of the original agreement regarding issuance and market making in Government Securities in Icelandic. In case of any discrepancy between the two versions, the Icelandic version shall prevail.

AGREEMENT REGARDING ISSUANCE AND MARKET MAKING IN GOVERNMENT SECURITIES

The National Debt Management Agency, State Reg. No. 521192-2409, hereafter referred to as NDMA, and [Name and State reg. No], hereafter referred to as Primary Dealer, have signed the following Agreement regarding issuance and market making of Government Securities.

This agreement is identical to those made with other Primary Dealers dated the same day as this Agreement.

The aim of this Agreement is to enhance the Treasury's access to loan financing, to improve the interest rate structure and to promote liquidity in the secondary market for Government Securities.

1. Paragraph

Auctions of Treasury Notes and Bills and Primary Dealer Access

- (i) Government Securities will be auctioned regularly and announced on the OMX Nordic Exchange's Iceland News System at least two trading days prior to an auction.
- (ii) Primary Dealers have exclusive access to NDMA's auctions.
- (iii) After the results of a competitive auction are available, the NDMA is entitled to offer the equivalent of 10% of the amount sold to Primary Dealers in a non-competitive auction. The Primary Dealers will have the option to purchase an amount equal to its market share in the competitive auction at the weighted average yield of the current competitive auction. This offer stands good until 2 p.m. on the settlement day of the competitive auction. Example: Primary Dealer buys for ISK 1 billion in the auction where the total amount sold was ISK 5 billion. Then the Primary Dealer may purchase up to 1/5 of the amount offered in the non-competitive auction at the average yield of the competitive auction.

2. Paragraph

Obligations of Primary Dealers in Auctions

Each Primary Dealer is obliged to submit bids at each auction for a minimum of ISK 500 million at nominal value. Bids shall be in line with the published terms of the auction and in accordance with the current market prices.

3. Paragraph

Obligations of Primary Dealers in the Secondary Market

Primary Dealer is obliged to quote bid and ask offers in those series stated in paragraph 7 on the OMX Nordic Exchange's Iceland Electronic Trading System before opening time. Trading lots shall be at minimum ISK 100 million at nominal value in each series. The Primary Dealer is obliged to renew its offer within ten minutes after execution of a transaction.

The maximum spread between the Primary Dealer's bid and ask quotes are determined by price. The maximum spread of those series stated in paragraph 7 is determined by time to maturity:

<i>Time to Maturity</i>	<i>Maximum Spread</i>
3 to 6 months	0,05%
6 to 12 months	0,075%
1 to 2 years	0,10%
2 to 4 years	0,20%
4 years and longer	0,30%

The following Treasury Notes and Treasury Bills are excluded from the maximum spread obligations. The Primary Dealer is obliged to submit bids for a minimum of ISK 100 million in each series:

<i>Maturity</i>	<i>Maximum Spread</i>
Treasury Bills and Treasury Notes with maturity of 3 months and less.	Maximum spread not defined. Bid shall be submitted.

If the Primary Dealer's total transactions in one series during that day equals ISK 600 million at market value (marked as "AUTO") the Primary Dealer is entitled to depart from maximum spread between bid and ask quotes stated earlier for that particular series for the remainder of that day.

The Primary Dealer grants the NDMA access to information regarding its quotes and transactions at OMX Nordic Exchange Iceland for the series of Treasury Notes and Treasury Bills covered in the Agreement. The Primary Dealer also grants the NDMA the right to publish any kind of information regarding its market share in the primary market.

4. Paragraph

Contacts and Information

The Primary Dealer shall designate a contact person to the NDMA. Meetings with Primary Dealers are arranged by the NDMA and held as often as deemed necessary.

5. Paragraph

Payment and Calculation of Commission

Settlement and payment of commission will take place December 14, 2007 and June 13, 2008. The commission is divided into the following parts:

- (i) The NDMA pays the Primary Dealer on the above settlement days, i.e. twice during the agreement, an amount which is calculated as a percentage of his accepted bids at Treasury Note auctions for the prior six months. The amount at disposal for all Primary Dealers on each occasion is total ISK 45 million. Example: NDMA has sold in auctions Treasury Notes for ISK 15 billion at market value the last six months prior. A Primary Dealer that has purchased

ISK 3 billion at market value in the auctions will receive an amount of 1/5 of ISK 45 million or ISK 9 million.

- (ii) The NDMA pays the Primary Dealer on the above settlement days, i.e. twice during the Agreement, an amount which is calculated as a percentage of all of his accepted bids at Treasury Bill auctions for the six months prior. At disposal for all Primary Dealers on each occasion is total ISK 10 million. Example: NDMA has sold in auctions Treasury Notes for ISK 20 billion at market value the last six months prior. A Primary Dealer that has purchased ISK 5 billion at market value at the auctions will receive an amount of 1/4 of ISK 10 million or ISK 2 ½ million.
- (iii) The NDMA pays the Primary Dealer on the above settlement days, i.e. twice during the Agreement, an amount which is calculated as his percentage of the market share of all Primary Dealers transactions in OMX Nordic Exchange's Iceland Electronic Trading Platform (marked as "AUTO") with the government securities laid out in in paragraph 7 in this Agreement the six months prior. The amount at disposal for all Primary Dealers on each occasion is total ISK 25 million.

6. Paragraph

Purchases of Issuer

In order to support price formation in the market NDMA may purchase Treasury Notes and Treasury Bills with time to maturity of 3 months or less. The NDMA may also purchase Index-linked Treasury Bonds for the aforementioned reason.

Other Issues

7. Paragraph

The series covered by this Agreement with regard to market making are: RIKB 08 0613, RIKB 08 1212, RIKB 10 0317 and RIKB 13 0517 and other series of Treasury Notes and Bills that will be issued during the time of the Agreement.

8. Paragraph

Should there be a serious market disturbance the NDMA can, following a teleconference and Primary Dealers consent, terminate temporarily suspend individual paragraphs of this agreement.

9. Paragraph

The Primary Dealers have exclusive access to special privileges (Securities Lending Facility) the NDMA chooses to provide each time. The NDMA issues an operational bulleting regarding these privileges to the Primary Dealers.

10. Paragraph

The NDMA reserves the right to make similar Agreements with new Primary Dealers during the period of the Agreement. Any such agreement would come into effect at the time of the signature and would not be retroactive with regards to commissions.

11. Paragraph

This agreement takes effect on June 1, 2007 and is effective until May 31, 2008. Should either party to this Agreement regard a serious violation has been done, regarding this Agreement, that party can terminate the Agreement without further notice. At the time of this Agreement other older Agreements, between signatories regarding issuance and market making of Treasury Securities and market making of those until maturity, will expire.

Participants to this Agreement agree to commence a review of the Agreement not later than April 1, 2008.

Reykjavík, May XX, 2007

National Debt Management Agency

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