

24 May 2019

RULES amending Rules no. 553/2009

Article 1

Article 3 shall be amended as follows:

A new paragraph shall be inserted after Paragraph 7, and shall read as follows:

Covered bond: A bond or other unilateral, unconditional, written debt instrument that enjoys special rights of realisation in the issuer's cover pool and is issued pursuant to Act no. 11/2008.

Article 2

Article 11 of the Rules shall be amended to read as follows, together with its heading:

Financial collateral arrangements for Central Bank facilities

The following collateral is eligible for Central Bank facilities:

1. Bonds issued by the Republic of Iceland in Icelandic krónur;
2. Certificates of deposit issued by the Central Bank of Iceland;
3. Financial undertakings' term deposits with the Central Bank;
4. HFF bonds issued by the Housing Financing Fund;
5. Covered bonds. The market value of the series shall be more than 5 b.kr., and it must be confirmed that this amount has been sold. The cover pool of a covered bond shall consist solely of bonds secured by residential real estate in Iceland. Financial undertakings may provide as collateral up to 3 b.kr. market value from their own covered bond issues.

The Central Bank may accept bonds issued by the Housing Financing Fund, Landsvirkjun, Municipality Credit Iceland Plc, and the City of Reykjavík as collateral. The Bank shall publish on its website the bond series it accepts.

Securities provided as collateral for Central Bank facilities must fulfil the following conditions:

1. The securities must have a market maker, either on a regulated securities market or a data utility approved by the Central Bank, where bid and ask quotes are published.
2. The securities must be electronically registered with a central securities depository approved by the Central Bank.

The Central Bank may deviate from the requirements in Paragraph 3, Item 1.

Article 3

The following amendments shall be made to Article 12 of the Rules:

- a. The following shall be added to Paragraph 3: except covered bonds, cf. Article 11, Paragraph 1, Item 5.
- b. Paragraph 4 shall be amended to read as follows: If securities are withdrawn, if they mature, if the Financial Supervisory Authority revokes permission for issuance of covered bonds that have been provided as collateral, or if the financial institution requests delivery of the securities before the obligation matures, eligible new collateral shall be submitted with an appraised value at least as high as that of the previously submitted collateral.

Article 4

The following amendment shall be made to Article 18 of the Rules:

The following shall be added to Paragraph 2: and governmental directives set on the basis of those statutory provisions.

Article 5

These Rules, which are set in accordance with the authority contained in Article 7, Paragraph 1 of the Act on the Central Bank of Iceland, no. 36/2001, with subsequent amendments, shall take effect immediately. These Rules were discussed and approved at the meeting of the Monetary Policy Committee on 21 May 2019.

Reykjavík, 24 May 2019
Central Bank of Iceland

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