

# Economic and monetary chronicle

## March 2007

On March 29, the Board of Governors of the Central Bank of Iceland announced its decision to leave the Bank's policy rate unchanged.

## April 2007

On April 10, Moody's Investor Service downgraded its credit ratings for Glitnir, Kaupthing Bank and Landsbanki following a review of its new Joint Default Analysis (JDA) rating methodology. The banks' long-term local currency ratings were lowered from Aaa to Aa3. Their ratings for short-term debt and financial strength remained unchanged at P-1 and C respectively.

On April 20, the Financial Supervisory Authority (FME) granted Saga Capital a licence to operate as an investment bank.

## May 2007

On May 3, the Treasury sold its 15.2% shareholding in Hitaveita Suðurnesja (Suðurnes Regional Heating) to the privately owned Geysir Green Energy for 7.6 b.kr.

On May 16, the Board of Governors of the Central Bank of Iceland announced its decision to leave the Bank's policy rate unchanged.

On May 16, Glitnir completed its public tender offer for all issued and outstanding shares and option rights in FIM Group Corporation of Finland. Afterwards, Glitnir's total holding in FIM was 98.28%. FIM was included in Glitnir's consolidated statements as of April 1, 2007.

On May 22, Straumur-Burðarás investment bank announced its acquisition of a majority shareholding in the Finnish bank eQ Corporation and an offer for the outstanding shares and option rights in it. The combined value of the acquisitions and offer is €260 million.

From May 31 to June 11, an IMF mission visited Iceland for consultations with representatives of the authorities and the private sector. The mission's concluding statement was published on the websites of the IMF and Central Bank of Iceland on June 11.

## June 2007

On June 6, Rating and Investment Information (R&I), a Japan-based rating agency, assigned an A+ credit rating to Kaupthing Bank, the agency's first rating for an Icelandic bank. The rating outlook is stable.

On June 6, R&I Rating of Japan announced its first rating for the Republic of Iceland, assigning it a foreign currency issuer rating of AA+. The outlook was stable. The rating was announced in connection with a formal request by Kaupthing Bank for a rating from the agency. R&I Ratings also decided to assign a rating to the Republic of Iceland, although this had not been requested by the authorities.

On June 13, parliament elected a new Supervisory Board for the Central Bank of Iceland, pursuant to Article 26 of the Central Bank Act no. 36 from May 22, 2001. At its first meeting, the Supervisory Board elected Halldór Blöndal as Chairman and Jón Sigurðsson as Deputy Chairman.

On June 13, parliament passed amendments to the Social Security Act and Act on the Affairs of the Elderly whereby basic pension payments from the Social Insurance Administration are no longer means-tested against earnings from employment of pensioners aged 70 and older. The reform is expected to cost the Treasury 6-700 m.kr. annually.

On June 21, new rules on Central Bank of Iceland facilities for financial undertakings entered into force. The amendments were largely of a technical nature but the Bank drew attention to two specific aspects of the changes. It was decided to rename the Central Bank's lending facility for financial companies to which the policy rate applies. This facility was known as *repos* but is now termed *collateral loans*, because strictly speaking it did not involve repurchase agreements. The second change relates to the numerical presentation of the policy interest rate. Until now, the Central Bank has announced its policy rate in terms of the *annual rate of return* and not the *nominal interest rate*. It was decided that all Central Bank interest rates will in future be stated and announced as nominal rates.