

A G R E E M E N T

on settlement of securities transactions

The Central Bank Iceland, national ID no. 560269-4129, Kalkofnsvegur 1, Reykjavík, (hereinafter referred to as the Central Bank), and the Icelandic Securities Depository hf., national ID no. 500797-3209, Laugavegur 182 (hereinafter referred to as the ISD), make the following agreement on settlement of securities transactions:

Article 1

Communications and arrangements

The Central Bank and the ISD pledge to conduct their communications and their arrangements for settlement of securities transactions, as well as other aspects of their activities, on the basis of this agreement and the accompanying rules of procedure for securities settlement, dated August 25, 2009 (hereinafter referred to as the rules of procedure). The rules of procedure shall be published on both parties' websites. In the event of a discrepancy between the provisions of the agreement and the rules of procedure, the provisions of the agreement shall prevail.

Article 2

Delivery versus payment

The parties pledge to guarantee secure protection of funds and to safeguard the interests of purchasers and sellers so that sellers of securities do not gain access to the proceeds of the sale without delivery of the securities, and vice versa. The payment instructions that the Central Bank carries out at the request of the ISD in connection with securities settlement are to satisfy the claim to the securities to be delivered in each instance; that is, all underlying securities must be delivered at the time of payment. The ISD is responsible for matching the payment instructions and the securities to be delivered.

Article 3

Dissemination of information

The ISD shall provide the Central Bank with regular information on developments in turnover and number of transactions. The parties to the agreement shall also inform one another in a timely manner of all changes in their systems which could in any way affect the execution of securities settlement, cause difficulties in operations, or otherwise affect the security and efficiency of securities settlement.

Article 4

Technological equipment and monitoring

The Central Bank and the ISD shall, at all times, have at their disposal the technological equipment necessary to operate the RTGS and securities settlement systems and shall maintain a secure monitoring system for the analysis of transactions and the risk related to them. The ISD shall record all incidents involving deviations occurring in the operation of the system.

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Article 5

Contingency plans

Within three months after the signing of this agreement, the parties shall review their contingency plans, update them to accord with the agreement, and co-ordinate them as necessary.

Article 6

Contingency exercises

In collaboration with the Icelandic Banks' Data Centre and the securities settlement system participants, as necessary at any given time, the parties shall carry out contingency exercises to test operational security, responses, and problems that could emerge in the operation of the RTGS and securities settlement systems. Examples of such exercises are as follows:

1. Responses to difficulties related to insufficient funds for monetary settlement.
2. Responses to difficulties related to a shortage of securities for settlement.
3. Responses to technical problems experienced by the operator and/or problems due to transfer between primary and reserve sites.
4. Responses to problems related to the sudden departure of one or more participants.
5. Responses to communications among participants, technical operators, and/or the parties to the agreement.

Article 7

Channels of communication, standards

The parties to the agreement resolve to use appropriate international channels of communication and standards as necessary to facilitate efficient and secure securities settlement.

Article 8

Transparency and efficiency

The parties to the agreement shall provide account operators and settlement institutions with sufficient information to enable them to analyse and assess underlying settlement risk and estimate the cost of settlement. The parties to the agreement shall attempt to maximise the efficiency of system operations without compromising security.

Article 9

International rules

The parties to the agreement shall build up and structure their systems so that they always fulfil international rules and recommendations relating to securities settlement, as regards storage and the arrangements for the monetary and securities parts of settlement.

Article 10

Supervision and oversight

The ISD is responsible for the daily operation of the system and is required to guarantee that satisfactory competence, knowledge, and equipment are available to operate the system in accordance with the regulatory and statutory provisions in force at any given time.

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The Financial Stability Department of the Central Bank is responsible for overseeing the operation of systemically important payment and securities settlement systems with respect to security, efficiency, and effectiveness. The Accounting Department of the Central Bank handles the daily operation of the Real-Time Gross Settlement (RTGS) system, however. The Financial Supervisory Authority supervises execution by participants in the payment and securities settlement systems. The securities settlement system is classified as a systemically important system or as part of the infrastructure of the Icelandic financial system.

Article 11

Fees for services rendered

The ISD pays a fee to the Central Bank in accordance with the Bank's tariff, as current at any given time, for the services provided by the Bank to the ISD in relation to monetary settlement of securities transactions. The ISD pays a fee to the Icelandic Banks' Data Centre for services rendered, including the netting of securities transactions that are settled in the Central Bank's RTGS system. Changes to the tariff shall be announced with three months' advance notice.

Article 12

Entry into force

This agreement takes effect on September 21, 2009. On that date, the parties' previous settlement arrangements according to the agreement of May 25, 2000, shall expire. Both parties are authorised to request the review or cancellation of the agreement with six months' notice.

Article 13

Disputes

Any dispute arising from this agreement may be referred to the District Court of Reykjavík, pursuant to Act no. 91/1991.

The agreement is signed in two identical copies, and each party shall retain one copy.

Reykjavík, August 25, 2009

CENTRAL BANK OF ICELAND

ICELANDIC SECURITIES DEPOSITORY HF.

Már Guðmundsson
Governor

Einar Sigurjónsson
Chief Executive Officer

Tryggvi Pálsson
Director

enc: Rules of procedure for settlement of securities transactions, dated August 25, 2009