

1. General

Title

Central Bank of Iceland balance sheet summary

Supervisor of statistics

Central Bank of Iceland, Accounting

Purpose

Providing information in accordance with the IMF dissemination standards and statutory requirements concerning monthly publication of information on the Central Bank of Iceland balance sheet; cf. the Act on the Central Bank of Iceland, [no. 36/2001](#).

References

Financial accounts of the Central Bank of Iceland; monthly summaries are preliminary figures.

Statutory authority

The Central Bank's balance sheet summaries have been prepared in accordance with the Annual Accounts Act, [no. 3/2006](#), the Act on Financial Undertakings, [no. 161/2002](#), and the Rules on the Central Bank of Iceland's Accounting and Annual Accounts, [no. 1088/2005](#).

2. Methodology

Definitions

Foreign exchange reserves: The foreign exchange reserves are defined in accordance with international standards. They are the foreign assets of the Central Bank that are accessible for intervention in the foreign exchange market or for use in meeting balance of payments needs. The assets must therefore be highly liquid marketable assets denominated in foreign currency. The Central Bank of Iceland's foreign exchange reserves consist of gold, special drawing rights (SDR) and foreign exchange balances with the IMF, foreign cash and deposits, and foreign marketable securities.

Claims against financial institutions are the Central Bank's claims against financial institutions and specify as follows:

Collateralised loans: Loans backed by collateral in securities. The Central Bank of Iceland's repurchase agreements with credit institutions (repos) are currently granted for seven days at a time. The Central Bank currently offers credit institutions seven-day repos; i.e., the Central Bank lends against collateral in securities and the transaction is reversed after seven days. Credit institutions submit eligible securities as collateral; i.e., securities carrying a Treasury guarantee and with active market making on the Nasdaq Iceland Exchange.

Overnight loans: Loans granted to financial institutions until the following day. Overnight loans are loans that counterparties to Central Bank transactions may apply for, provided that they can submit collateral deemed eligible by the Bank.

Market securities: Negotiable securities (debt instruments, equity securities or unit shares) that are offered for sale to individuals and/or legal entities through an auction in which all securities in each series have all principal characteristics in common, including the identity of the issuer (the debtor), the first interest payment date, and provisions concerning repayment, interest, and acceleration, as applicable. Examples of marketable securities are Treasury savings bonds, Treasury bonds, Treasury bills, Housing Bonds, Housing Authority Bonds, Housing Financing Fund (HFF) bonds, and equities listed on the Nasdaq Iceland exchange.

Housing Financing Fund bonds and Housing Authority bonds: Bonds issued by the Housing Financing Fund on behalf of the Treasury.

Other exchange rate-lined claims: Central Bank claims in foreign currencies against foreign institutions, including currency swap agreements.

Currency swap agreements: A contract stipulating that the contracting parties shall at some time in the future swap the principal in two different currencies at a fixed exchange rate. The principal is swapped at the end of the contract period, but also often at the beginning of a contract period.

Claims against the Treasury and Government institutions are the Central Bank's gross claims against the State and specify as follows:

Claims against the Treasury: Bonds issued in Icelandic krónur.

Foreign securities: Securities issued in foreign currency.

Treasury bonds: Marketable securities (see above).

Other assets: Other assets derive primarily from loans to companies owned by the lender, the Central Bank's holdings in its own companies, and unsettled securities transactions.

Central Bank of Iceland Holding Company ehf.: After Iceland's banks failed in the autumn of 2008, the Central Bank acquired sizeable claims against domestic financial institutions. The claims were backed by collateral of various types. Some of them were transferred to the Treasury at year-end 2008, and the Central Bank administered them. At the end of 2009, these assets were transferred to a separate company owned by the Central Bank, the Central Bank of Iceland Holding Company ehf. (ESÍ). ESÍ has one subsidiary, Hilda ehf., which it took over in mid-2011. At the beginning of 2014, Hilda took over certain aspects of Drómi hf.'s operations. Hilda's principal assets are corporate loans and real estate.

Foreign short-term liabilities: Short-term loans taken, among other things, to strengthen the foreign exchange reserves. Unsettled transactions also fall into this category, as do foreign central banks' and international institutions' deposits held at the Central Bank of Iceland.

Foreign long-term liabilities: The Central Bank's liabilities in foreign currency with a maturity of more than one year, excluding long-term foreign debt to the International Monetary Fund (IMF).

Counterpart to IMF: The IMF allocates special drawing rights (SDR) in order to strengthen the foreign exchange reserves of its member countries. These drawing rights are entered as both assets and liabilities (i.e., no payment takes place). The drawing rights represent the owner's full and unconditional right to a foreign-denominated loan or other foreign-denominated assets from the IMF. Member countries may sell their quotas to others.

Quota entered as an asset (capitalised) = special drawing rights (SDR) with the IMF.

Debt offsetting the capitalised quota = counterpart to IMF.

Long-term foreign debt to the IMF: The Central Bank's liabilities in foreign currency vis-à-vis the IMF, with a maturity of more than one year.

Banknotes and coin: The total amount of banknotes and coin issued by the Central Bank of Iceland.

Deposits of financial institutions: Financial institutions' deposits consist of DMBs' deposits, on the one hand, and deposits owned by other financial institutions, on the other. One of the purposes of deposits owned by deposit institutions and held in current accounts with the Central Bank is to meet the institutions' reserve requirements, which are determined monthly by the Bank, based on specified liabilities of the institution concerned and represent the minimum average deposit balance the institution must maintain at any given time (see the Rules on Minimum Reserve Requirements, [no. 870 of 30 September 2015](#), plus the Rules Amending Rules [no. 870/2015](#) on Minimum Reserve Requirements, [no. 512 of 9 June 2016](#)). They also function as real-time gross settlement (RTGS) accounts for those institutions that are members of the Central Bank's RTGS system. In early 2004, the reserve requirement for other financial institutions was revoked.

Certificates of deposit: 28-day debt instruments issued by the Central Bank at predetermined interest rates. CDs are issued solely to deposit institutions and other financial institutions and are not transferable except to other comparable institutions. Issuance of CDs was discontinued in May 2014.

Term deposits with the Central Bank: The Bank offers two types of term deposits that are eligible as collateral for Central Bank facilities.

Seven-day term deposits

On Wednesdays, the Bank offers seven-day term deposits. The interest rate on the deposits is 0.25 percentage points higher than the current account rate. The deposits mature in seven days and cannot be withdrawn during that period. Term deposits may be used as collateral for payment system accounts and overnight loans. After the market close on Tuesdays, the Central Bank announces the amount on offer the following day. Counterparties wishing to participate in the auction submit bids, subject to a maximum of 60% of the total amount available. If submitted bids exceed the total amount on offer, the bids are reduced *pro rata*. Seven-day term deposits have been offered on a weekly basis since May 2014.

One-month term deposits

The Central Bank also offers one-month term deposits on the first Wednesday of each month. The structure is much the same as that for seven-day term deposits. Central Bank counterparties may submit bids to the Bank if they wish to participate in auctions of term deposits. The Bank notifies counterparties of the total amount available and the maximum bid amount. Participants submit bids specifying amount and interest rate. All participants in the auction are allocated amounts at the interest rate accepted for each auction. Bids featuring interest rates above the accepted rate are rejected. One-month term deposits have been offered since June 2014.

Current accounts of financial institutions: Sight deposits and short-term deposits held in domestic foreign exchange accounts with the Central Bank.

Other claims: Financial institutions' other claims against the Central Bank.

FX accounts of financial institutions in winding-up proceedings: Sight deposits and short-term deposits held in domestic foreign exchange accounts with the Central Bank.

Treasury current account: The Treasury's balance on its current accounts with the Central Bank.

Current accounts of government entities: Balances held by Government institutions other than the Treasury on their current accounts with the Central Bank.

Treasury, FX accounts: Deposits in domestic foreign currency accounts with the Central Bank.

Treasury, term FX accounts: The Treasury's FX deposits with a negotiated maturity, held in the Central Bank.

Other claims: Other claims of the Treasury and Government institutions against the Central Bank.

Other parties: Current accounts and FX accounts of subsidiaries, related parties, and other entities.

The Central Bank's foreign exchange position: Foreign short-term assets less foreign short-term liabilities.

Base money: Banknotes and coin and deposit institutions' deposits with the Central Bank.

3. Data processing

Data processing is carried out at the Central Bank in the Navision system. Tables show the previous year-end balance and the preliminary balance for the past two months. Activities are shown intramonth, as are activities for the year.

4. Data integrity

All accounting data are signed off by authorised signatories and are transmitted to the Accounting Department through predetermined channels.

5. Revision of data

When the Central Bank's annual accounts have been prepared, the monthly data are reprocessed and republished.

6. Time series and data frequency

Data have been published monthly on the Central Bank's Statistics pages since 1 January 1994. Publication takes place once a month.

7. Publication

Data are published on the Central Bank Statistics pages.