

RULES

on a Reference Interest Rate for Unsecured Deposits in Icelandic Krónur

Article 1

Purpose

The purpose of these Rules is to explain the publication of a reference interest rate for specified unsecured deposits owned by obliged entities, and to lay down the requirements made of these entities so as to make possible such publication by the Central Bank. The submittal and handling of data in connection with the publication of an Icelandic reference rate are provided for in these Rules.

Article 2

Definitions

Money market deposits: Deposits in Icelandic krónur, for which the amount, fixed interest rate terms, and commitment period are negotiated, and for which the entire amount is committed for the entire period, which may range from overnight to 12 months,

Obliged entities: Commercial banks licensed to operate pursuant to Article 4, Paragraph 1, Item 1 of the Act on Financial Undertakings, no. 161/2002.

Reference interest rate, or Icelandic króna overnight (IKON) rate: The weighted average interest rate on unsecured deposits held by obliged entities overnight; i.e., from one business day until the next.

Business day: A day on which commercial banks or savings banks are open for business, from Monday through Friday.

Article 3

The role of the Central Bank of Iceland

The Central Bank oversees the publication of the reference interest rate, defines its role, and determines the means by which internal monitoring of its publication is conducted. The Central Bank shall publish this information on its website (www.sedlabanki.is).

Article 4

Disclosure requirements

On the basis of Article 32, Paragraph 1 of the Act on the Central Bank of Iceland, no. 92/2019, obliged entities shall submit daily information to the Central Bank on all transactions due to money market deposits pursuant to the definition in Article 2. The Central Bank may request that the obliged entity's internal auditor assess or confirm the quality and integrity of the data submitted. The information shall be submitted in the form requested by the Central Bank.

The information for each day shall be received by the Central Bank no later than at 08:30 hrs. on the day immediately following.

The Central Bank may also call at any time for more detailed information, either on money market deposits or on other matters, that enables the Bank to publish reference interest rate data. Such information could require, for instance, that obliged entities correct previously submitted data.

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Obligated entities shall ensure that their employees tasked with submittal of information have sufficient knowledge and experience. They shall also appoint a contact person for their communications with the Central Bank.

As administrator of reference interest rate publication, the Central Bank, together with obliged entities, shall conduct an annual review of the methods for submitting data to the Bank and, as appropriate, propose changes to them. In this forum, the Central Bank can also instruct obliged entities on changes to data submittal arrangements.

Article 5

Calculation of the reference interest rate

The reference interest rate is calculated as the weighted average interest rate in obliged entities' daily transactions. The interest rates are weighted in terms of contract amount.

The reference interest rate is calculated and published for overnight transactions; i.e., from one business day to the next. The Bank may also calculate and publish reference interest rates for other maturities.

If no information on transactions is received from obliged entities, either for technical reasons or because no transactions have taken place, the Bank will publish the reference rate for the previous day, accompanied by an explanation. If a change is made to Central Bank interest rates on a day when no information is received, the published reference rate takes account of those changes.

Article 6

Publication of the reference interest rate

The Central Bank lists the reference interest rate on the basis of the information received from obliged entities. The reference rate shall be listed with three (3) decimal places. Each day, no later than at 11:00 hrs., the Central Bank shall publish the listed reference interest rate for the previous business day on its website.

The Bank also publishes both total trading volume and trade count for the reference interest rates that it publishes.

The Bank publishes the reference interest rate even if information on transactions is only received from some, but not all, obliged entities.

Article 7

Correction of the reference interest rate

If an error or a deviation is revealed in the information from obliged entities between 08:30 hrs. and 11:00 hrs. on the day the Bank publishes the reference rate and the error affects the published reference interest rate by a minimum of two (2) basis points, the Central Bank shall correct it and publish the reference rate with a special notification no later than at 13:00 hrs. that same day. After the corrected reference interest rate is published at 13:00 hrs., it will not be adjusted further even if new or changed data are submitted by obliged entities.

At the end of each quarter, the Central Bank publishes a summary of errors and deviations in reporting, irrespective of whether or not they have given rise to changes in the published reference interest rate.

Article 8

Penalties, etc.

If an obliged entity neglects to submit information to the Central Bank on the basis of Article 4 of these Rules, or if it is revealed that an obliged entity has repeatedly provided incorrect or misleading information, the Bank may take measures in accordance with the provisions of Act no. 92/2019. Furthermore, the Bank may exclude the entity in question from further participation according to

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the Rules. Such a decision shall be reported to other obliged entities and published on the Bank's website.

The Central Bank shall notify obliged entities with at least two weeks' advance notice if it is decided to discontinue publication of the reference interest rate on the basis of these Rules or if the Rules are amended in some other respect.

Article 9

Entry into effect

These Rules, which are set on the basis of Article 46, Paragraph 2 of the Act on the Central Bank of Iceland, no. 92/2019, shall take effect on 1 April 2022.

Central Bank of Iceland, 30 March 2022

Ásgeir Jónsson
Governor

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