

TERMS AND CONDITIONS FOR TERM DEPOSITS

between the Central Bank of Iceland and [●] as counterparty

1. Scope and premises for facilities

- a. These terms and conditions apply to term deposits that the Central Bank of Iceland may offer to financial undertakings (referred to hereinafter as the *counterparty/counterparties*) eligible for Central Bank facilities. The terms and conditions are intended to clarify the legal relationship between the Central Bank and the counterparty.
- b. The premise for Central Bank facilities entered into under these terms and conditions is that the transactions shall be as risk-free for the Bank as is authorised by Icelandic law.

2. Conduct of auctions of term deposits

- a. After the market close on the business day immediately preceding the auction, the Central Bank announces the total amount of term deposits to be auctioned. The announcement specifies the commitment period for the deposits being auctioned.
- b. Bids for term deposits shall be submitted in the manner decided by the Central Bank and specified in the announcement. Bids for term deposits shall be submitted within the period of time specified in the auction announcement. Bids submitted after that time will not be considered valid. Bids on term deposits are binding upon the counterparty. The counterparty is authorised to amend or revoke their bid within the period of time specified in the announcement.
- c. Bids for term deposits shall be submitted in multiples of 1 m.kr. (one million krónur). The Central Bank may issue an announcement restricting the share of the total amount of term deposits for which counterparties may submit bids. If the combined amount of bids submitted exceeds the total amount on offer, all bids are reduced in the same proportion.
- d. The Central Bank of Iceland reserves the right to accept all bids, accept a portion of them, or reject all bids submitted for term deposits. If demand for term deposits exceeds the amount offered, the Bank is authorised to increase the total amount on offer.
- e. Auction results are published on the Central Bank website on the date of the auction. The results include the total amount auctioned, total bids for term deposits, accepted bids, interest rates, and maturities.
- f. Settlement of term deposits takes place on the date of the auction. The Central Bank debits the accepted bid from the counterparty's current account. The current account is the counterparty's RTGS account in the interbank payment system.
- g. If the auction date or the maturity date falls on a day that is not a regular banking day, the Central Bank offers term deposits on the banking day immediately preceding, unless otherwise specified in the announcement. For the purposes of these terms and conditions, a banking day is a business day when banks are open in Iceland.
- h. The counterparty alone bears the responsibility and risk associated with bids submitted to the Bank via e-mail, cf. item (b) above.
- i. It is permissible to deviate from provisions on the conduct of auctions in the case of individual auctions, and such deviations shall be described in the announcement of the auction concerned.

3. Authorisation for redemption of term deposits during commitment period

- a. With Central Bank authorisation, a counterparty may redeem part or all of a term deposit prior to maturity, within the commitment period, subject to payment of a redemption fee in the form of a premium on the amount redeemed. The amount redeemed is paid to the counterparty's current account on the redemption date, with accrued interest deducted from the redemption fee.
- b. The Central Bank determines the redemption fee for term deposits and publishes it on its website.
- c. Applications for redemption must be received by the Central Bank on a banking day before 14:30 hrs. in order to be processed that same day.

4. Interest rates and finalisation of term deposits

- a. The Central Bank determines interest rates on term deposits. Interest is deposited to the counterparty's account on the maturity date. If interest is negative, the Bank debits the interest from the counterparty's account on the maturity date.
- b. The day count rule for calculation of interest is in accordance with the Central Bank's interest rate decisions.

- c. The counterparty authorises the Central Bank to debit the accepted bid amount from the counterparty's current account on the date of the auction. On the maturity date, the Central Bank will credit the counterparty's current account with the Bank.

5. Liability for contracts, statement of indemnity

- a. The Central Bank or the counterparty is not liable for any direct or indirect damage or loss that the Bank or the counterparty may sustain as a direct or indirect result of malfunctions in the Bank's or the counterparty's equipment or computers, or other similar causes; i.e., due to use of postal systems, telephones, or e-mail. Furthermore, the Central Bank and the counterparty are not liable for damage or loss stemming directly or indirectly from third-party information or actions.
- b. The Central Bank or the counterparty is not liable for direct or indirect damage or loss stemming from circumstances beyond human control (*force majeure*); i.e., acts of war or imminent armed conflict, acts of terrorism, natural disasters, strikes, work stoppages, border closures, trade embargoes, or harbour restrictions.

6. Miscellaneous provisions

- a. The Central Bank may, without prior notice, exclude a counterparty from further facilities according to these terms and conditions if the counterparty no longer satisfies the requirements laid down in the Act on the Central Bank of Iceland, rules set by the Central Bank, or these terms and conditions.
- b. The counterparty authorises the Central Bank to net out its term deposit against all other obligations between the counterparty and the Central Bank that are due and payable, so that payment remitted will equal the difference, if any, including acceleration of obligations. The Central Bank's right to netting applies even if claims are not of the same type, as the Bank will then take account of the market value of the funds at the close of business on the following day before netting out the debt.
- c. The counterparty is required to notify the Central Bank without delay of any circumstances that may affect the relationship between the parties, including all existing or foreseeable events of default or all events that could lead to default on the counterparty's obligations according to these terms and conditions.
- d. The counterparty shall specify the names of employees who serve as contacts with the Central Bank in connection with facilities based on these terms and conditions. The counterparty is responsible for those parties that represent it in interactions with the Central Bank.
- e. If any issues arise in connection with these terms and conditions, the counterparty shall contact the Central Bank: Central Bank of Iceland, Kalkofnsvegur 1, 101 Reykjavík, att'n: Markets Department, tel: +354 569-9600, e-mail: vedlan@sedlabanki.is.
- f. These terms and conditions and any agreements made on the basis of them are subject to Icelandic law. If a dispute should arise about the interpretation of these terms and conditions or any agreements made on the basis of them, legal action proceeding from the dispute shall be referred to the District Court of Reykjavík.
- g. These terms and conditions are set on the basis of the Act on the Central Bank of Iceland, no. 92/2019, and the Rules on Central Bank of Iceland Facilities for Financial Undertakings as current at any given time. Unless otherwise specified, they shall remain in effect even though amendments are made to the Act or the Rules.

In confirmation of the foregoing, the Central Bank and the counterparty sign these terms and conditions using electronic identification.