The Housing Financing Fund

AGREEMENT ON A PRIMARY DEALERSHIP SYSTEM FOR HFF BOND AUCTIONS AND MARKET MAKING OF HFF BONDS IN THE SECONDARY MARKET

Agreement on a primary dealership system for HFF bond auctions and market making of HFF bonds in the secondary market

The Housing Financing Fund, hereafter referred to as HFF, national ID no. 661198-3629, and XXXXXXX, national ID no. xxxxxx-xxxx, hereafter referred to as the primary dealer, make the following agreement on a primary dealership system for HFF bond auctions and market making of HFF bonds in the secondary market.

This agreement is identical to the agreements made with other market makers which are dated the same day as this agreement.

The objective of this agreement is to enhance price formation on HFF bonds and enhance their liquidity in the secondary market.

Article 1

Auction of HFF bonds and the market makers access to those auctions

If there will be an auction of HFF bonds during the duration of this agreement then only market makers will be allowed to make offers for the HFF bonds. Commissions and obligations for these auctions will be negotiated separately outside this agreement.

Article 2

Obligations of market makers in the secondary market

The primary dealer is obligated to submit bid and ask quotes for HFF bond classes specified in Article 4, at the Exchange regulated market.
Minimum bid/offer in each class should be as follows:

Class	Nominal Value
HFF150224	80.000.000
HFF150434	70.000.000
HFF150644	65.000.000

Furthermore, the market maker is required to renew its bids/offers at the Exchange within 10 minutes of their acceptance.

If, on any given business day , the primary dealer’s transactions in a specific bond class equals ISK 500 million at nominal value (transaction marked “AUTO”), the primary dealer is entitled to diverge from the maximum bid/ask spread requirements in a specific bond class that day. The primary dealer is entitled to diverge from the below specified maximum bid/ask spread given that his bid of ISK 300 million in the bond class has been accepted.

The maximum spread between the market maker’s bid and ask prices is determined by the price of valid offers. The maximum bid/ask spread in the classes specified in Article 4 can be:

Class	Max. Spread
HFF150224	0.70%
HFF150434	0.95%
HFF150644	1,10%

The primary dealer grants HFF access to information regarding its bids and transactions at the Exchange, for HFF bond classes specified in this agreement.

Article 3

Payment and calculation of commission

Market making: HFF pays its primary dealer a quarterly turnover-linked commission throughout the term of the agreement. The commission is based on the primary dealer´s market share of all transactions by all market makers at the Exchange (transactions marked “AUTO”), for the classes specified in Article 4. The commission will only be based on the primary dealer´s trading, not on other dealers trading at the respective financial institution. Each quarter, ISK 18.75 million is available as commission payments to all market makers and shall be paid no later than 15 days from the end of each quarter.

Article 4

HFF bond classes

The agreement includes the following HFF bond classes:

Class	ISIN No.
Indexed classes	
HFF150224	XS0195066146
HFF150434	XS0195066575
HFF150644	XS0195066658

Article 5

Impact of market disruption

In the event of serious market disruption, HFF may, following a teleconference and upon consulting with the primary dealers, temporarily suspend individual provisions of this agreement.

Article 6

Communication and information disclosure

The primary dealer shall designate an employee to act as liaison with HFF. HFF will call for meetings with primary dealers as needed.

Article 7

Services for primary dealers

HFF offers special services to primary dealers. Rules regarding these services are specified in the appendix to this agreement and state that market makers have exclusive access to securities lending provided by HFF. The primary dealers are able to borrow HFF bonds on a temporary basis in exchange for other securities that will be held as collateral.

Article 8

Validity and termination of agreement

This agreement, and its appendix, enter into force on July 1, 2015 and expire on June 30, 2016. However, both parties are authorized to cancel the agreement with a 30 day notice until the contract has expired. If either one of the parties believes that the agreement has been seriously violated or in an event of force majeure, the agreement may be terminated without prior notice. However, the other party shall be notified in writing immediately of the termination. This agreement replaces previously made agreements between the contracting parties in relation to HFF bond issuance and market making in the secondary market.

Reykjavík, June xxxxx

The Housing Financing Fund XXXXXXXXXXXXXX.

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Witnessed by:

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