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Fréttatilkynning

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Efni: **New national debt management arrangements**

The Minister of Finance has decided to assign issuance of domestic marketable securities, currently handled by the National Debt Management Agency (NDMA), to the Central Bank of Iceland, which already manages the Treasury's foreign borrowing.

In light of the changes that have taken place in Iceland's financial market environment and the position of the Treasury in the domestic capital market, it is now considered feasible to perform the Treasury's debt management more cost-effectively by transferring the functions of the NDMA to the Central Bank. The central banks of Denmark and Norway are responsible for their national Treasury borrowing on the basis of agreements with their respective ministries of finance.

The main advantages of consolidating oversight of Treasury borrowing within a single institution are to provide a clearer overview, create more effective management of loans, foreign exchange and liquidity, and achieve economies in overheads and deployment of human resources. Since one of the main functions of the Central Bank involves the conduct of monetary policy, which need not necessarily be synonymous with efficient Treasury debt management, the agreement with the Central Bank on the functions currently assigned to the NDMA will contain clear provisions specifying the division of tasks between them, and on the Ministry of Finance's discretion with regard to its borrowing and its ultimate right to determine how the agreement is implemented.

The agreement, which was signed today, enters into force on October 1, 2007. As of that date, the activities of the National Debt Management Agency will be discontinued and the agency will subsequently be formally abolished by an act of law.

Reykjavík, September 4th 2007