

FORM OF AUCTION PROCESS & BAS BACK UP MEMORANDUM

To: Primary Dealers

Cc: Bloomberg

**Re: Procedure for Iceland Treasury Bills Auctions**

The purpose of this memorandum is to describe the procedures to be applied in Icelandic Treasury Bills auctions arranged by the National Debt Management Agency.

Furthermore, the Annex 1 to this memorandum provides a back-up procedure to be used if a technical problem occurs with the Bloomberg Auction System ("BAS").

**1. General; auction information, size, criteria of bids/offers**

- 1.1 The National Debt Management Agency follows the auction plan for Treasury Bills.

The National Debt Management Agency can cancel auctions at any time.

- 1.2 The National Debt Management Agency identifies the Treasury Bills and the maximum amount to be auctioned.
- 1.3 The information of forthcoming auction will be displayed on Bloomberg page ICTS and details will be sent to enable bidders by BAS Invitation message. Other information providers may also be used, as agreed between the National Debt Management Agency and such providers.
- 1.4 Bids/offers shall be expressed on a price basis, with an accuracy of three decimals (the last one being 0 or 5). The price base shall be the same as is currently used in the SAXESS trade system that is prices are in multiple of 100.

**2. Electronic Auction Process**

The normal auction procedure using the Bloomberg Auction System ("BAS") will be as follows:

- 2.1 The auction will be opened for bids/offers at **10.00** Icelandic time.
- 2.2 Each Bidder is asked to test their BAS workstation and the system before **10.30** Icelandic time by sending a TEST BID to the National Debt Management Agency to see if any technical or other problems are being experienced. This bid can be deleted or changed before the closing time of the auction. If it is not deleted or changed it will be regarded as a binding bid/offer for the auction.
- 2.3 The Auction closing time announced on Bloomberg page ICTS is **11.00** Icelandic time. Bidders must input bids/offers using BAS to the National Debt Management Agency before **11.00** Icelandic time. The BAS will not process bids/offers after the system closing time.
- 2.4 The National Debt Management Agency will publish the auction results as soon as possible normally on, or after **11.45** Icelandic time on Bloomberg page ICTS.

### **3. Amendments and modifications**

This process description for auctions may be changed at any time by the National Debt Management Agency. National Debt Management Agency will consult with market participants to seek as wide an acceptance as possible to the proposed changes.

National Debt Management Agency.

Annex 1

Back-up procedure for BAS

## ANNEX 1

**Back up procedure for electronic auction via a Bloomberg Auction System (“BAS”)**

If the National Debt Management Agency determines any problems during a Treasury Bills auction, it will revert to one of the following back-up plans as described below in clause 1.1 and 1.2.

The National Debt Management Agency must be informed by phone (number: +354 540 7500) **immediately** of any technical or other problems being experienced by a PD, whether in a Bidders Bloomberg workstation or other systems.

**1.1 Problem – Limited scale**

- a) Limited number of Bidders experience a technical problem making it impossible to submit their bids/offers electronically using the BAS system, and;
- b) The National Debt Management Agency determines there may be a technical problem causing a problem/delay but it is still possible to continue processing the auction in BAS regarding other bidders. The National Debt Management Agency decides to accept bids by fax from affected Bidders.
- c) Affected Bidders give their bids to the National Debt Management Agency by fax at **11.00** at the latest (fax number +354 562 6068), to be confirmed by phone immediately (phone number:+354 540 7500).
- d) The National Debt Management Agency will inform Bloomberg contact of the problem.
- e) Bloomberg undertakes to have adequate personnel stand by during the auction process.
- f) The National Debt Management Agency will confirm the receipt of the bids/offers directly to the Bidder in question and inputs the bids on his behalf in the BAS.

## 1.2 Problem - Large scale

If several Bidders experience a technical problem making it impossible to submit their bids/offers electronically using the BAS system, or

the National Debt Management Agency is unable to receive bids/offers using BAS or analyse and/or calculate the results of the auction, or

there is any other problem which in the National Debt Management Agency's view makes it impracticable to continue processing the auction with BAS.

then:

- a) The National Debt Management Agency will inform Bidders and Bloomberg as soon as possible by telephone after a decision has been made not to continue using the BAS for the auction in question.
- b) The manual auction process will be used instead of the BAS electronic system, as described in sub-clauses c to f below.
- c) Bidders give their bids by fax ( fax number: + 354 562 6068) signed by authorised person(s) to the National Debt Management Agency before **11.05** Icelandic time.
- d) Bidders must confirm their bids/offers by a phone before **11.10** Icelandic time (phone number: +354 540 7500).
- e) The National Debt Management Agency will publish the auction results on Iceland Stock Exchange as soon as possible. After the information has been published on Icelandic Stock Exchange the Bidders will be informed whether their bids have been accepted and the total amount of bids accepted.
- f) The National Debt Management Agency has the right to define another time table than set out above, if particular circumstances so require. Bidders will be informed immediately of such adjusted timetable by telephone.