



International Tax

Iceland Tax Alert

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Foreign currency auction date announced

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The Central Bank of Iceland announced on 25 May 2016 that the anticipated foreign currency auction, in which the bank will offer to purchase króna-denominated assets in exchange for cash payments in euros, will take place on 16 June 2016 from 10:00 to 14:00 GMT. The bank is offering to buy króna falling within the definition of “offshore króna” under the law passed on 22 May 2016 that defines and updates the króna-denominated assets that are subject to special restrictions (for prior coverage, see the [alert dated 23 May 2016](#)).

The auction is part of the comprehensive action plan to lift capital controls, as part of the government and central bank’s capital account liberalization strategy, and will be the last auction in which owners of offshore króna will be invited to exchange their króna for foreign currency before the authorities begin lifting controls on residents (pension funds, other legal entities and individuals).

The auction will be structured in a single-price format, i.e. all accepted offers will be offered to investors at the same price. The price for euros sold in the auction will be determined by auction participation, as set forth in the following table:

Amount of offshore króna assets offered for sale	Auction price
Up to ISK 50 billion	ISK 210 per EUR 1
Over ISK 50 billion and up to ISK 75 billion	ISK 205 per EUR 1
Over ISK 75 billion and up to ISK 125 billion	ISK 200 per EUR 1
Over ISK 125 billion and up to ISK 175 billion	ISK 195 per EUR 1
Over ISK 175 billion	ISK 190 per EUR 1

In instances where treasury bonds, treasury bills or Housing Financing Fund bonds are offered for sale in exchange for foreign currency, the repurchase price will be published on 10 June 2016.

Participation in the auction must be carried out via an intermediary. According to an announcement made by the central bank, the intermediaries include the following banks: Landsbankinn hf.; Íslandsbanki hf.; Kvika banki hf.; Arion banki hf.; and Clearstream Banking S.A. The deadline for intermediaries to submit sales offers to the central bank is 14:00 GMT on 16 June 2016. Further information on the auction can be found on the central bank website (<http://www.cb.is>). Settlement of auction transactions will take place on 29 June 2016.

Prospective participants in the auction should consider consulting their tax and/or legal advisors for further information and assistance in regards to participation in the auction and communication with the intermediaries.

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