

1. General

File name

Security derivatives of financial institutions

Purpose

Statistical reports on the position of equity and bond derivatives issued by domestic banks.

Sources

Data on security derivatives sent by banks to the Central Bank of Iceland.

Foundation in law

The foundation in law for data collection is in [Act No. 36/2001 on the Central Bank of Iceland](#), Article 29.

2. Terms and definitions

Derivative is a contract between bank (the issuer) and its customer to buy or sell certain valuables (securities) at a future date (maturity). The value of the contracts is derived from the value of the underlying security (equity/bond) plus issuer's fee. Derivatives are used for hedging portfolio risk or speculation (investment). The main derivative instruments are:

- Forward contract, either simple forwards or standardized futures.
- SWAPS where the two parties exchange cash flow in the future, e.g. interest swaps or total return swaps.
- Options where the customer has the right but not the obligation to purchase or sell underlying security at some future date.
- Other derivative contracts can be some combinations of the all the other contracts.

Bonds are transferable claims on the issuer offered for sale to individuals and/or legal entities. The bonds are usually issued at nominal value with predetermined interest rate and repayment of the principal. The market value is decided by the demand of the investors (yield). The main issuers of the marketable bonds are:

- *Residents*
 - *Treasury*
 - *Housing financing fund*
 - *Banks*
 - *Other financial institutions*
 - *Municipalities*
 - *Companies*
- *Non residents*

The bonds are either nominal in ISK, indexed against consumer prices or denominated in foreign currency.

Equities are transferable claims (stock/share) on the issuer offered for sale to investors. The equities are usually issued at nominal value and investors may anticipate income from dividends or increase in market value. The underlying equities of the derivatives are categorized in our statistics:

- Listed companies in stock exchange market (OMXI)
- Non-listed companies
- Security funds / indices

3. Data processing

Data are processed in the Statistics Department of Central Bank of Iceland. Firstly, the total position of derivatives, buying and selling contracts at the end of months is reported at contract values. Also, the total position is reported by counterparties and remaining maturity. Secondly, the buying and selling position of the underlying securities are reported at market value and the net position broken down by issuers. Derivatives against individual Treasury bonds are processed and published at nominal prices.

4. Integrity

Data are collected directly from the relevant entities as reported to the Central Bank of Iceland.

5. Revision

Data are not revised except if respondent send corrected data.

6. Time series and data frequency

Monthly position of bond derivatives from 2012 and equity derivatives from 2014.

7. Publication

Data are published monthly on the Statistics page of the Central Bank of Iceland website together with data on Market securities.

8. Other

Financial institutions that currently send reports:

- Landsbankinn hf
- Arion banki hf
- Íslandsbanki hf
- Kvika hf