



The Federation of Icelandic Industries

**To whom it may concern**

**Update: October 18th 2008**

**Subject: The Economic situation in Iceland – Industry perspective**

Iceland is currently going through a tough economic- and financial crisis affecting all normal business and transaction. This crisis originated in the global credit crunch which led to the bankruptcy of three Icelandic banks: Glitnir, Landsbanki and Kaupthing. Because of this bank failure money transfers to and from Iceland have been difficult. In some instances, foreign banks that are parties to payment transactions do not execute normal and appropriate orders for payment to Icelandic banks for fear that such transactions will end in a moratorium on payment on the receiving end, or for fear that the funds involved will not be transferred to the appropriate party, leaving the foreign bank liable for the error. Recipients are experiencing difficulties in making timely payment on their obligations because of this. There have been problems with payments to and from all countries; however, the situation is by far most difficult vis-à-vis British counterparties, which is directly attributable to the extremely harmful actions taken by the British authorities. **It is to be noted the HM Treasury has today issued a notice were it is stressed that the Landsbanki freezing order only applies to transaction involving Landsbanki. It does not affect Icelandic companies with no links to Landsbanki.**

The Central Bank of Iceland has adopted a temporary method for international payment intermediation. This method involves routing banking institutions' payments to and from Iceland through the Central Bank's own accounts with foreign counterparts, which generally have no involvement with the operations of Icelandic banks.

**If any foreign parties are uncertain whether their payments are being routed to the proper parties, or if they fear that they will be held liable for non-delivery of such payments, the Central Bank of Iceland has declared to foreign credit institutions that it will guarantee that all payments routed through the Central Bank's accounts to the accounts of Icelandic credit institutions will be delivered to the credit institutions concerned, for the benefit of the relevant account holders in those institutions.**

The SI would like to assure its member companies and their business partners throughout the world that the Icelandic authorities are working hard to restore normal currency trade. The FII is in close cooperation with all relevant parties in order to resolve current problems. Despite these difficulties the basic fundamentals of the Icelandic economy are strong with a blooming export industry. The swift economic change is likely to bring new opportunities for industry. The daily life is normal and business as usual.

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FEDERATION OF ICELANDIC INDUSTRIES

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**About the Federation of Icelandic Industries - SI**

The FII is the largest employer's organization in Iceland with approximately 1.200 member companies. The industry employs roughly ¼ of value added and employs 1/5 of the labor force. The FII looks after the interests of industry in every way and in close co-operation with the individual enterprise.