
NOTICE OF RESCISSION

To: Landsbanki Islands hf

Of: 4th Floor, Old Change House
128 Queen Victoria Street
London
EC4V 4BJ

FRN: 207250

Dated: 20 July 2010

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS (the “FSA”) gives you notice that:

1. REQUIREMENTS RESCINDED

1.1 By Supervisory Notices dated 3, 6 and 10 October 2008 (the “Supervisory Notices”) and pursuant to sections 194, 196, 197 and 199 of the Financial Services and Markets Act 2000 (“the Act”) the FSA decided to impose on you, Landsbanki Islands hf (“Landsbanki”) various requirements. Having considered the representations made by you the FSA has decided to rescind the following requirements which were imposed on your branch in the United Kingdom:

FSN of 3 Oct 2008	Para 1.1 (b)	You must: (i) immediately open a segregated trust account
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		<p>(“the account”) with the Bank of England or another account provider in the United Kingdom approved in writing by the FSA on terms set out in paragraphs (iv) and (v) below;</p> <p>(ii) upon opening the account, credit the account with a cash amount which is at least as great as the aggregate value of the deposits accepted by you from customers of the United Kingdom branch during the course of 2 and 3 October 2008 (the ‘initial deposits’)</p> <p>(iii) thereafter credit the account with a cash amount which is at least as great as the value of any subsequent deposits accepted by the firm from its customers of the United Kingdom branch from time to time (the ‘subsequent deposits’)</p> <p>(iv) hold money standing to the credit of the account on trust for the benefit of the customers referred to in paragraphs (ii) and (iii) according to their respective interests in it (which shall be the amount of their deposit(s) less any sum withdrawn on their account); and</p> <p>(v) apply the money standing to the credit of the account solely to repay the initial deposits and the subsequent deposits to those customers.</p> <p>For the purposes of section 48 and 201 of the Act, the requirement in this paragraph is a requirement of the kind mentioned in section 48(3)(b).</p>
FSN of 3 Oct 2008	Para 1.1(c)	<p>This requirement applies to the following assets:</p> <p>(i) the cash reserves held in the bank account in the</p>

		<p>United Kingdom referred to in paragraph a) above; and</p> <p>(ii) any assets held by you which are located in the United Kingdom as at the date and time this requirement takes effect.</p> <p>You must not in respect of any assets to which this requirement applies take any action or enter into any arrangement in respect of those assets:</p> <p>(i) which has, or may have, the effect of transferring the assets to a location outside the United Kingdom; or</p> <p>(ii) which has, or may have, the effect of creating any charge, security interest or other similar economic interest over the assets,</p> <p>unless you have given the FSA at least 3 days' written notice of the proposed action and the FSA has confirmed, in writing, that it has no objection to those proposals.</p> <p>The cash reserves that are kept in the bank account in the United Kingdom referred to in paragraph a) must not be used for any purpose other than repaying depositors of the branch.</p> <p>For the purposes of sections 48 and 201 of the Act, the requirements in this paragraph are requirements of the kind mentioned in section 48(3)(a).</p>
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1.6 The FSA confirms that by virtue of a letter dated 11 May 2010 the FSA has previously rescinded the following requirements which were put in place by the Supervisory Notices of 3 October 2010 and 6 October 2010;

FSN of 3 Oct 2008	Para 1.1(a)	You must at all times maintain in a bank account in the United Kingdom cash reserved amounting to not less than 10% of GBP denominated retail instant access deposits held by your group. The cash reserves held in the account must be increased by 6 October 2008 to not less than 20% of GBP denominated retail instant access deposits held in your group. The bank account must be an account with the Bank of England or another account in the United Kingdom approved in writing by the FSA. In this requirement, group has the same meaning as in section 421 of the Act.
FSN of 3 Oct 2008	Para 1.1(d)	You must revise your interest rate strategy to ensure that: <ul style="list-style-type: none"> (i) the Icesave instant access deposits are not in any Best Buy tables in the United Kingdom; and (ii) there is no change to interest rates on the Icesave fixed rate deposit products without providing the FSA with at least two business days notice and demonstrating that any such rate change is merely to maintain current positions in the Best Buy tables.
FSN of 3 Oct 2008	Para 1.1(e)	You must cease all marketing of Icesave instant access deposits in the United Kingdom by no later than 10 October 2008.
FSN of 3 Oct	Para 1.1(f)	You must by the end of 2008 reduce to £1 billion or less the overall level of Icesave instant access

2008		deposits.
FSN of 3 Oct 2008	Para 1.1(g)	You must ensure that deposits of all types taken by the United Kingdom branch do not at any time exceed in aggregate £5 billion.
FSN of 3 Oct 2008	Para 1.1(h)	You must submit by 17 October 2008 a plan to ensure the sustained build up of reserves to enable repayment of the Icesave fixed term deposits which mature between now and the end of June 2009.
FSN of 3 Oct 2008	Para 1.1(i)	You must report your total non Icelandic Kronur marketable asset position on a daily basis to the FSA.
FSN of 6 Oct 2008	Para 1.1(a)	You must not, in order to support your liquidity, invoke any contractual term or condition in relation to your deposit accounts that allows you to temporarily cease or limit withdrawals from accounts for up to 60 days unless you have given the FSA at least 1 day's written notice of the proposed action and the FSA has confirmed, in writing, that it has no objection to the proposal.

- 1.7 This Rescission Notice is given to you in accordance with section 200(1) of the Act.
- 1.8 For the avoidance of doubt, the above is without prejudice to your obligations to comply with the terms of any trust established pursuant to the requirements set out in the Supervisory Notice dated 3 October 2008.
- 1.9 Furthermore please note that the requirements imposed by the Supervisory Notice dated 10 October 2008 remain in effect.

2. FSA CONTACT

- 2.1 For more information concerning this matter generally, you should contact Ed Sibly at the FSA (direct line:020 7066 8954).

Tim Herrington
Chairman of the Regulatory Decisions Committee