

15 August 2003

**DETAILS OF CHANGES TO THE RULES FOR PRIVATE INVESTORS
APPLICATIONS AT GILT AUCTIONS FROM 18 AUGUST 2003**

I am writing to inform you of the changes the United Kingdom Debt Management Office ("the DMO") is making to the procedures whereby private investors subscribe directly to gilt auctions, either to the DMO or HM Treasury's designated Registrar (currently Bank of England Registrar's Department). From the gilt auction to be held on 10 September 2003 (of 4¼% Treasury Stock 2036), members of the public wishing to apply for stock will have to be members of an "Approved Group"; this letter explains the background and the new procedures that will apply and encloses an application pack you can use to join the Approved Group.

The City of London is one of the world's largest and most international financial centres. Unfortunately, this means it can attract groups and individuals looking for opportunities to launder cash obtained from illegal and subversive activities into clean money which cannot be traced back to its original roots. The Government is committed to combating financial crime in all its forms and has planned legislation to reinforce existing procedures.

In this context, gilts are recognised throughout the world as some of the safest and, consequently, most desirable forms of investment and the Government believes that it would be detrimental to the UK's policy of combating financial crime and to its contribution to the international fight against terrorism if its own instruments, by virtue of their negotiability, became one of the instruments used to launder money.

A popular method by which this could be achieved is by creating false identities or assuming the names of innocent people in order to deceive financial institutions into conducting business on their behalf. One way of blocking this avenue to such investors is to institute stricter checks on people buying financial services and it is now common practice for banks and building societies to enquire much more thoroughly about potential customers. This is a requirement imposed on them by legislation. By clearly establishing their identity, individuals can help make it much harder for criminals to operate.

Starting with the gilt auction to be held on 10 September 2003, all private investors seeking to subscribe for stock at auctions will need to be members of the Approved Group. An application form which can be used to apply for membership is enclosed, and once completed it should be returned to the Registrar. Individuals wishing to join the Approved Group will need to satisfy the criteria established by the Registrar and DMO to meet their anti-money laundering requirements. The enclosed leaflet, issued by HM Treasury in conjunction with the National Crime Intelligence Service and the Financial Services Authority, highlights the importance of these issues.

As the processing work that the Registrar will need to carry out may take a little time you should not delay too long before returning your form particularly if you would like to apply for stock in the auction on 10 September.

Once accepted into the Approved Group, you will **not** have to provide evidence of your identity and address on each occasion you wish to invest; all investors in the Group will automatically be sent copies of the full prospectus and an application form when each auction is announced thereby minimising the risk that you might miss an auction announcement.

From September 2003, the announcement of auctions of gilt-edged stocks will be made by means of a notification in the national press giving brief details of the issue. The press releases and prospectuses will continue to be available on the DMO website www.dmo.gov.uk. Application forms and prospectuses will no longer be printed in newspapers although copies of the full prospectuses will continue to be available on request from the addresses given below. Only the application forms sent out by the Registrar to Approved Group members will be accepted.

UK Debt Management Office
Eastcheap Court
11 Philpot Lane
London
EC1M 8UD

Telephone: 020 7862 6500

Bank of England Registrar's Department
New Issues
Southgate House
Southgate Street
Gloucester GL1 1UW

Telephone: 01452 398100

Yours sincerely,

R Stheeman

Robert Stheeman
Chief Executive

