

29/00

19 September 2000

PRESS NOTICE

GILT SWITCH AUCTION

SOURCE STOCK: 8% TREASURY STOCK 2015

DESTINATION STOCK: 4¼% TREASURY STOCK 2032

MAXIMUM NOMINAL AMOUNT OF SOURCE STOCK SWITCHABLE: £1,500 million

SWITCH AUCTION DATE: 27 September 2000

The United Kingdom Debt Management Office (the "DMO") announces that it will auction 4¼% Treasury Stock 2032 (the "destination stock") in exchange for up to £1,500 million nominal of 8% Treasury Stock 2015 (the "source stock") on Wednesday, 27 September 2000. The creation and settlement of the new amounts of 4¼% Treasury Stock 2032 will be effected on Thursday, 28 September 2000. The nominal amount of 8% Treasury Stock 2015 purchased at the switch auction will be cancelled on 28 September.

It is expected that 4¼% Treasury Stock 2032 will become strippable following the switch auction. A list of the ISIN, SEDOL and trade reporting codes for the new gilt strips (June 2029 to June 2032) is attached.

Further details on switch auctions are contained in a response by the DMO on 13 September 1999 to a consultation document and in the DMO's Operational Notice on Official Operations in the Gilt-Edged Market dated September 1999.

Bidding arrangements

The switch auction announced today is open to all holders of 8% Treasury Stock 2015 although holders who are not Gilt-Edged Market Makers ("GEMMs") may only make bids through GEMMs. This switch auction will be conducted on a competitive bid-price basis and successful



competitive bidders will be allotted stock corresponding to the prices at which they bid. There will not be a non-competitive facility.

The bidding procedure on Wednesday, 27 September 2000 will be as follows:

- At 10.00am, the DMO will announce a fixed clean price for 8% Treasury Stock 2015. This will be used as the basis for settling allocations of 4¼% Treasury Stock 2032.
- GEMMs may only bid by telephone, for their own account or on behalf of clients, direct to the DMO's dealing room. Between 10.00am and 10.20am, GEMMs may make an unlimited number of bids. Between 10.20am and 10.30am each GEMM is limited to a further ten bids.
- Each bid will consist of the *quantity* of the 8% Treasury Stock 2015 offered, in round £ millions nominal, and the *clean price bid* for the 4¼% Treasury Stock 2032, expressed as a multiple of 0.01 of £1 (ie. to 2 decimal places).
- Bidding closes at 10.30am.
- The DMO aims to publish the results of the switch auction on its wire services pages within forty minutes of the close of bidding.
- The results will also be made available in a press notice.

Allocations of stock

As already noted, switch auctions are conducted on a bid-price basis with no minimum price. The DMO will rank the bids according to the prices bid for 4¼% Treasury Stock 2032 and transact the switch with the highest bidders.

The DMO fully intends to purchase the £1,500 million nominal of 8% Treasury Stock 2015 announced but reserves the right not to do so. This right would only be exercised in exceptional circumstances. Any shortfall from the pre-announced maximum simply means that less of the destination stock will be created. This would be announced on screen with the results of the switch auction. The DMO plans to cancel the amounts of 8% Treasury Stock 2015 it buys in through this auction on the day of settlement.

The DMO will allot stock to individual bidders at its absolute discretion. In particular it may decline to allot stock to any individual bidder, GEMM or end-investor, if it appears that to do so would be likely to lead to market distortion. As with outright auctions of conventional gilts, in



this case successful bidders should not expect to acquire at the auction for their own account more than 25% of the destination stock created.

Settlement of allocations

The nominal quantities of 4¼% Treasury Stock 2032 created and allocated to each GEMM will be calculated according to the ratio of the dirty prices of the two stocks, rounded to 4 decimal places, multiplied by the nominal quantity of the source stock bid (or, where applicable, the percentage of the amount bid at the lowest accepted price), subject to any applicable scaling factor. The creation and settlement of the new amounts of 4¼% Treasury Stock 2032 will be effected on Thursday, 28 September 2000. Settlement should be effected through the CREST system by means of a *free of payment Complex Delivery* (“Many to Many” – “MTM”) transaction type; the counterparty to the transaction will be Participant ID “RA001”. Use of this transaction type will ensure the quantity of 8% Treasury Stock 2015 delivered for cancellation and the allocation of the relevant amount of 4¼% Treasury Stock 2032 to the GEMM is simultaneous.

NOTE TO EDITORS

The switch auction announced today is the fourth such operation undertaken by the DMO. The last switch auction of £1.5 billion (nominal) of 8% Treasury Stock 2015 into 4¼% Treasury Stock 2032 was held on 22 June 2000 (see DMO Press Release 17/00). This type of operation was foreshadowed in the DMO’s consultation document of 7 July 1999 as supplemented by the response to that consultation published on 13 September 1999. Switch auctions are intended to help build up the size of benchmark stocks faster than would otherwise be the case in times of low primary issuance.

<u>Stock</u>	<u>Nominal amounts outstanding</u>
8% Treasury Stock 2015	£10,787 million
4¼% Treasury Stock 2032	£ 4,546 million

This press notice, together with the Offer Document for this switch auction, will be appearing on the DMO’s website at: www.dmo.gov.uk.

