

PRESS NOTICE

GILT SWITCH AUCTION

SOURCE STOCK: 8% TREASURY STOCK 2003

DESTINATION STOCK: 5% TREASURY STOCK 2004

MAXIMUM NOMINAL AMOUNT OF SOURCE STOCK SWITCHABLE: £1,000 million

SWITCH AUCTION DATE: 21 OCTOBER 1999

The United Kingdom Debt Management Office (the "DMO") announces that it will auction 5% Treasury Stock 2004 (the "destination stock") in exchange for up to £1 billion nominal of 8% Treasury Stock 2003 (the "source stock") on Thursday 21 October 1999. This is the first of a new type of gilt operation known as a "switch auction", the arrangements for which are set out in this notice.

Further details on switch auctions are contained in a recent response to a consultation document issued by the DMO (see also Note to Editors).

Bidding arrangements

The switch auction announced today is open to all holders of 8% Treasury Stock 2003 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 Thursday 21 October 1999 will be as follows:

- At 10.00am, the DMO will announce a fixed clean price for 8% Treasury Stock 2003. This will be used as the basis for settling allocations of 5% Treasury Stock 2004.



- 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 2003 offered, in round £ millions nominal, and the *clean price bid* for the 5% Treasury Stock 2004, 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 and published on the DMO's website at www.dmo.gov.uk.

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 5% Treasury Stock 2004 and transact the switch with the highest bidders.

The DMO fully intends to purchase the £1 billion nominal of 8% Treasury Stock 2003 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 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, the DMO may, at its discretion, impose a maximum individual limit on the size of either the bids to be accepted and/or the amount to be allocated at switch auctions. However, in this particular case, no such limitations will apply.

Settlement of allocations

The nominal quantities of 5% Treasury Stock 2004 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 5% Treasury Stock 2004 will be effected on Friday, 22 October 1999. Settlement should be effected through the CGO 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 “5989”. Use of this transaction type will ensure the quantity of 8% Treasury Stock 2003 delivered for cancellation and the allocation of the relevant amount of 5% Treasury Stock 2004 to the GEMM is simultaneous. For further details on the *Complex Delivery* (“Many to Many” – “MTM”) transaction type, please refer to the CGO User’s Guide (Section 14.9) or contact the CGO help desk on 0171 601 3999.

NOTE TO EDITORS

The switch auction announced today is the first such operation undertaken by the DMO. 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. The date and other details of this switch auction were announced on 30 September 1999.

This press notice together with the switch auction offer document will be appearing on the DMO’s website (www.dmo.gov.uk).

<u>Stock</u>	<u>Nominal amounts outstanding</u>
8% Treasury Stock 2003	£8,600 million
5% Treasury Stock 2004	£6,289 million

