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PRESS NOTICE

THE FUTURE PROVISION OF GILT AND TREASURY BILL REFERENCE PRICES: THE SELECTION OF FTSE RUSSELL & TRADEWEB AND NEXT STEPS

Professor David Miles CBE has today published the final report of his Independent Review¹ (the Review) into the future provision of reference prices for gilts and Treasury bills, which was commissioned by the Economic Secretary to the Treasury in January 2016. The Review finds that FTSE Russell and Tradeweb jointly put forward the strongest proposal for future reference price provision and that the UK Debt Management Office (DMO) should actively assist with, and monitor, the transition to the new pricing arrangement.

FTSE Russell will operate as administrator of the provision of reference prices whilst Tradeweb will undertake the calculations.

Commenting on the findings of the Review, Simon Kirby, the Economic Secretary to the Treasury said:

"I wish to thank Professor Miles for his hard work and am pleased to accept his findings.

It is hugely important that gilt prices continue to be measured correctly and consistently, and I am confident that the findings of this Review will deliver changes which will benefit both the gilt market and the public."

Professor David Miles said:

"Reliably measuring the price and yield of gilts is of real economic significance. I believe that the implementation of the findings of my Review will provide reliable prices of gilts that will be widely available to all participants in this market."

¹ The final report of the Independent Review and a covering letter from Professor David Miles CBE to the Economic Secretary to the Treasury are being published today at www.gov.uk and on the DMO website at <http://www.dmo.gov.uk/index.aspx?page=PriceProvision/Information>.

The DMO is announcing today that it has started work with joint providers FTSE Russell and Tradeweb to establish the details of the successor arrangements and to ensure a smooth handover of responsibilities.

The Review suggested that the DMO could be in a position to cease publication of end-of-day reference prices in spring 2017. The exact date will be subject to confirmation with the joint providers after detailed discussions. The Review recommended that the DMO cease its provision of intra-day prices at the same time as the end-of-day reference prices.

The DMO expects to provide an update of progress on the transition process in around six weeks.

NOTES TO EDITORS

The DMO announced on 21 January 2015 its strategic intention to withdraw in due course from the provision of daily end-of-day GEMMA and Treasury bill reference prices. The DMO engaged with market participants to explore the requirements for gilt and Treasury bill prices, to build stakeholder consensus around the conditions for the DMO ceasing to provide reference prices, and to help stakeholders identify potential alternative ways that requirements can be met.

On 31 July 2015 the DMO announced that an individual would be appointed to head an Independent Review of price provision and to provide recommendations to Treasury Ministers on any successor arrangements. It was announced on 8 January 2016 that Professor David Miles CBE had been appointed to lead the Review.

The Review began meeting stakeholders in March 2016 and a consultation document was published in May 2016, following which a request for proposals was published on 5 July 2016. This invited potential providers to submit proposals explaining their approach to providing reference prices and administering that process. Six proposals were received by the deadline of 5 August 2016.

Taking account of all the information and views shared with the Review during the course of its investigations, the Review concluded that FTSE Russell and Tradeweb jointly put forward the strongest proposal and its successful implementation is likely to provide reliable prices. Details are available in the final report of the independent Review.

The DMO currently publishes reference prices in all gilts on behalf of GEMMA². GEMMA reference prices were introduced in July 1996 and were published by the Bank of England until April 1998, when the responsibility transferred to the DMO. The DMO currently requires all GEMMs³ to contribute closing reference prices in all gilts (not including Strips⁴) at the end of each business day. The DMO uses these contributions to produce end-of-day reference prices and associated redemption yields for each gilt. These prices are also used by the DMO to derive reference prices for gilt Strips.

The DMO has been publishing reference prices for Treasury bills since September 2003 and these are intended to provide indicative prices for the purpose of CREST valuation of collateral transfers. These prices are calculated by the DMO from prevailing General Collateral (GC) repo rates adjusted by a spread which reflects the results of recent Treasury bill tenders.

² Gilt-edged Market Makers Association

³ Gilt-edged Market Makers

⁴ Separate Trading of Registered Interest and Principal Securities

The gilt and Treasury bill reference prices, including those derived by the DMO, are published to the DMO's wire services pages, on the DMO's website and transmitted directly to various stakeholders. The DMO will continue to publish reference prices until the successor arrangements are in place.

This press release and a copy of the final report of the Independent Review are available on the DMO's website: www.dmo.gov.uk