

## **APRIL 2020: REVISION TO THE DMO'S 2020-21 FINANCING REMIT FOR MAY TO JULY 2020**

1. The UK Debt Management Office (DMO) is today publishing a revision to its 2020-21 financing remit covering the period May to July 2020. In line with the revision to the DMO's financing remit announced by HM Treasury today, the DMO is planning to raise £180 billion during the May to July 2020 (inclusive) period, exclusively through issuance of conventional and index-linked gilts.
2. This remit revision takes into account implications for the government's financing requirement of all measures announced by government to date to support the economy through the period of disruption caused by COVID-19. In line with standard practice, the remit revision also reflects the impact on the 2020-21 financing remit from publication of the 2019-20 outturn central government net cash requirement (excluding NRAM, Bradford & Bingley and Network Rail) (CGNCR (ex NRAM, B&B and NR)), which was £13.4 billion higher than the forecast published at Budget 2020 in March. It also reflects the outturns for gilt sales and other financing items, as well as the provisional outturn for NS&I's net contribution to financing in 2019-20. These factors reduced the DMO's end-March 2020 net cash position to -£17.9 billion, which is £18.4 billion below the planned level. This shortfall will be re-financed in 2020-21. The Annex sets out the outturn 2019-20 financing arithmetic.
3. In order to meet the immediate financing needs resulting from the government's response to COVID-19, it is expected that a significantly higher proportion of total gilt sales in 2020-21 will take place in the first four months of the financial year (April to July 2020). Hence, the higher volume of financing and, therefore, gilt issuance announced today for May to July 2020 is not expected to continue across the remainder of the financial year.
4. Given the current uncertainty over the implications for the financing programme of COVID-19, the government has also announced today that a further update to the DMO's financing remit and planned issuance schedule for 2020-21 will be announced on Monday 29 June 2020.
5. In this context, HM Treasury and the DMO recognise the importance of working with the market to design a financing programme that will most effectively be able to deliver the significantly higher financing amount over the May to July 2020 period and in the 2020-21 financial year overall.

### **Overall expectations for gilt issuance in 2020-21**

- ***Gilt issuance split***

6. The DMO anticipates continuing to issue regularly across a range of conventional gilt maturities in 2020-21, and continuing to build individual conventional gilt lines to benchmark sizes. The DMO also anticipates continued regular issuance of index-

linked gilts including via auctions, although such issuance is expected to comprise a relatively small proportion of the overall financing programme in 2020-21.

7. However, the DMO is not at this stage specifying the planned gilt issuance split for 2020-21, but will do so at the earliest opportunity. The DMO will continue to report, following each auction, on progress towards meeting the £180 billion financing requirement in May to July 2020.

- ***Gilt benchmark building***

8. The DMO anticipates continuing to launch and build gilts to benchmark size in 2020-21. Depending on the size of the overall financing requirement in 2020-21, this may include building two conventional gilts at the same key benchmark maturity (e.g. 5-, 10-, 20- and/or 30-year). In that case, the DMO's intention would be to build each line over a broadly six month period. The DMO may also issue new benchmark gilts at other maturities (for example, 7 or 15 years). As part of its normal market consultations, the DMO will seek feedback on preferred new maturities (see paragraphs 22 to 24 below).

### **Gilt auctions in May to July 2020**

9. Table 1 below sets out a proposed auction calendar for May to July 2020. This auction calendar supersedes the calendar for April to June 2020 that was published by the DMO on 20 March 2020. The DMO intends to continue the same approach to the scheduling of auctions that it introduced in April 2020. Hence, the DMO plans, in general, to conduct four auctions per week; two each on two consecutive days.
10. As has been the case in April 2020, the bidding window for the first auction each day will operate from 9.00am to 10.00am, and the second from 10.30am to 11.30am. The Post Auction Option Facility (PAOF) windows will continue to operate from 12.30pm to 1.00pm and from 2.00pm to 2.30pm respectively.
11. The auction calendar as proposed in Table 1 for the weeks commencing 13, 20 and 27 July 2020 may be changed in light of feedback received at the market consultations that will be scheduled for Monday 29 June 2020. However, in order to give the market sufficient notice of gilts to be issued at individual auctions in the early part of July 2020, the DMO does not expect to change the dates of gilt operations scheduled for July in the weeks commencing Monday 29 June and Monday 6 July 2020.

**Table 1. Proposed gilt auction calendar: May to July 2020**

<b>Auction date and close of bidding time</b>	<b>Gilt</b>	<b>Further details announced at 3.30pm</b>
Tuesday 5 May 10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 28 April
Wednesday 6 May 10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 29 April

Wednesday 13 May	10.00am	Index-linked gilt	Wednesday 6 May
Thursday 14 May	10.00am 11.30am	Short conventional gilt Long conventional gilt	Thursday 7 May
Wednesday 20 May	10.00am	Index-linked gilt	Wednesday 13 May
Thursday 21 May	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Thursday 14 May
Wednesday 27 May	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 20 May
Thursday 28 May	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Thursday 21 May
Tuesday 2 June	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 26 May
Wednesday 3 June	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 27 May
Wednesday 10 June	10.00am	Index-linked gilt	Wednesday 3 June
Thursday 11 June	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Thursday 4 June
Tuesday 16 June	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 9 June
Wednesday 17 June	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 10 June
Tuesday 23 June	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 16 June
Wednesday 24 June	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 17 June
Thursday 25 June	10.00am	Index-linked gilt	Thursday 18 June
Wednesday 1 July	10.00am 11.30am	Medium conventional gilt Long conventional gilt	Wednesday 24 June
Thursday 2 July	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Thursday 25 June
Tuesday 7 July	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 30 June
Wednesday 8 July	10.00am	Index-linked gilt	Wednesday 1 July
Tuesday 14 July	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 7 July

Wednesday 15 July	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 8 July
Tuesday 21 July	10.00am 11.30am	Short conventional gilt Long conventional gilt	Tuesday 14 July
Wednesday 22 July	10.00am 11.30am	Medium conventional gilt Index-linked gilt	Wednesday 15 July
Tuesday 28 July	10.00am 11.30am	Short conventional gilt Medium conventional gilt	Tuesday 21 July
Wednesday 29 July	10.00am 11.30am	Short conventional gilt Long conventional gilt	Wednesday 22 July

- ***Expected average sizes of gilt auctions in May to July 2020***

12. Average conventional gilt auction sizes (cash amounts) are generally expected to be in the following ranges by maturity sector: 1-5 years - £3,250 million to £4,000 million; 5-7 years - £3,000 million to £3,750 million; 7-15 years - £2,750 million to £3,500 million; 15-30 years - £2,000 million to £2,750 million; and 30+ years - £1,750 million to £2,500 million. Average sizes (cash amounts) for index-linked gilt auctions are generally expected to be in the following ranges: up to 10-year maturity - £1,250 million to £1,750 million; over 10-year maturity - £1,000 million to £1,500 million. The DMO will size gilt auctions on a case-by-case basis and, therefore, the size of any individual auction (in cash terms) may depart from the ranges set out above. All gilt auction sizes will be announced in advance (see paragraph 14 below).

#### **Post Auction Option Facility in May to July 2020**

13. The PAOF entitlements for successful auction bidders – Gilt-edged Market Makers (GEMMs) and indirect client bidders – will continue to be 25% of the nominal amount allocated at auctions.

#### **Announcement of auction terms and conditions in May to July 2020**

14. The DMO will continue to announce auction terms and conditions – including individual auction sizes – at 3.30pm on the day exactly one calendar week before the date of each auction<sup>1</sup>.

#### **The syndication programme in May to July 2020**

15. Table 2 sets out details of the two syndicated offerings that the DMO is currently planning to conduct in May 2020. The first syndication is currently planned to take place on Tuesday 12 May 2020 (subject to market and demand conditions) and will be for the launch of a new conventional gilt maturing on 22 October 2030. The second

<sup>1</sup> For operational reasons in May to July 2020, the facility for members of the Approved Group to participate directly in gilt auctions through the gilt registrar, Computershare Investor Services PLC, will continue to be suspended. Members may be eligible, as an alternative, to purchase gilts through the DMO's Purchase & Sale Service (<https://www.dmo.gov.uk/responsibilities/gilt-market/buying-selling/purchase-sale-service/>)

syndication is currently planned to take place on Tuesday 19 May 2020 (subject to market and demand conditions) and will be for a conventional gilt with a maturity of 30 years or longer. The DMO may schedule further syndicated offerings in June and/or July 2020. Any scheduling of additional syndications will be announced to the market in advance.

**Table 2. Planned syndications in May 2020**

<b>Date</b>	<b>Gilt</b>	<b>Further details announced</b>
Tuesday 12 May 2020	A new conventional gilt maturing on 22 October 2030	End April/early May 2020
Tuesday 19 May 2020	A conventional gilt with a maturity of 30 years or longer	End April/early May 2020

### **Gilt tenders in May to July 2020**

16. Gilt tenders may be used to assist with delivery of the financing remit. Gilt tenders may also be used for market management reasons.
17. The DMO will aim to announce the date, the choice of gilt to be sold and the maximum size of any gilt tenders at least two business days in advance. Gilt tenders may also be scheduled with shorter notice, as required, for market management reasons.
18. Gilt tenders may be used to issue any type and maturity of gilt and may be scheduled on an *ad hoc* basis or as part of a programme.
19. The choice of gilt to be issued at any gilt tender will be determined on a case-by-case basis by the DMO, taking into account market feedback. Gilt tenders will be sized by the DMO on an operation-by-operation basis up to the same size as a gilt auction of equivalent maturity.

### **Treasury bill sales in 2020-21**

- ***Debt management***

20. It is currently anticipated that the 2020-21 net financing requirement (NFR) will be met in full through gilt financing over the course of the year and, therefore, net Treasury bill issuance is not expected to make any contribution to meeting the NFR in 2020-21. Any changes to this plan would be announced as part of any future revision to the 2020-21 remit. The outturn net contribution of Treasury bills to debt financing in 2020-21 will be reported by the DMO in April 2021.

- ***Exchequer cash management***

21. Treasury bills issued for cash management purposes do not contribute to the stock of Treasury bills issued to meet the NFR. The outturn total stock of outstanding Treasury bills at end-March 2020 was £83.8 billion, of which the outturn stock of Treasury bills

for debt financing purposes was £62.0 billion. Outturn information on the stock of outstanding Treasury bills (both the total and the amount for debt financing purposes) will continue to be published on the DMO website.

### **Market consultation and remit announcements in May to July 2020**

- ***May to July 2020 operations calendar***

22. The DMO is today seeking feedback from the GEMMs and end-investors about gilts for issuance in May to July 2020, including via auctions as set out in Table 1, syndicated offerings as set out in Table 2, and gilt tenders. Feedback should be submitted to the DMO by 12 noon on Monday 27 April 2020, either to [policy@dmo.gov.uk](mailto:policy@dmo.gov.uk) or [giltdealing@dmo.gov.uk](mailto:giltdealing@dmo.gov.uk). The identity of the gilts to be auctioned on Tuesday 5 May 2020 and Wednesday 6 May 2020 will be announced at 7.30am on Tuesday 28 April 2020. The gilt operations calendar for the rest of the May to July 2020 period will be published at 7.30am on Thursday 30 April 2020.

- ***July to September 2020 operations calendar***

23. The DMO is re-scheduling the consultations currently planned for Monday 18 May 2020 to Monday 29 June 2020 (with end investors at 3.30pm and GEMMs at 5pm). The DMO will seek feedback about the operations calendar for the period from week commencing Monday 13 July to end-September 2020, which will be informed by progress made with implementation of the calendar in May to June 2020 to-date. Summary minutes of the consultations will be published at 8.00am on Tuesday 30 June 2020. The planned operations calendar for July to September 2020 will be published at 7:30am on Friday 3 July 2020, and will include any changes to the calendar for the weeks commencing 13, 20 and 27 July 2020.

- ***October to December 2020 operations calendar***

24. The DMO currently anticipates holding consultations in mid-August 2020 about the gilt operations calendar for October to December 2020.

### **Further revisions to the financing remit**

25. The plans set out in this remit announcement for the period May to July 2020 may be subject to further change. Any revisions to the financing remit will be announced to the market in advance.

**23 April 2020**

## ANNEX. 2019-20 FINANCING ARITHMETIC

<b>£ billion (cash)</b>	<b>2019-20</b>
CGNCR (ex NRAM, B&B and NR) <sup>1</sup>	56.5
Gilt redemptions	98.9
Redemption of the sovereign Sukuk	0.2
Planned financing for the Official Reserves	6.0
Financing adjustment carried forward from previous financial years	4.0
<b>Gross Financing Requirement</b>	<b>165.5</b>
Less:	
NS&I net financing	11.4
Other financing items <sup>2</sup>	-7.8
<b>Net Financing Requirement (NFR) for the DMO</b>	<b>161.9</b>
DMO's NFR will be financed through:	
<b>Gilt sales, through sales of:</b>	
- Short conventional gilts	43.0
- Medium conventional gilts	35.2
- Long conventional gilts	36.3
- Index-linked gilts	23.1
- Unallocated amount of gilts	0.0
<b>Total gilt sales for debt financing</b>	<b>137.6</b>
<b>Total net contribution of Treasury bills for debt financing</b>	<b>6.0</b>
<b>Total financing</b>	<b>143.6</b>
DMO net cash position	-17.9
<i>Figures may not sum due to rounding</i>	
<sup>1</sup> Central Government Net Cash Requirement (excluding NRAM, Bradford & Bingley (B&B) and Network Rail (NR)).	
<sup>2</sup> These items include outturn revenue from coinage and additional financing through non-governmental deposits, certificates of tax deposit and foreign exchange transactions relating to the Exchange Equalisation Account.	