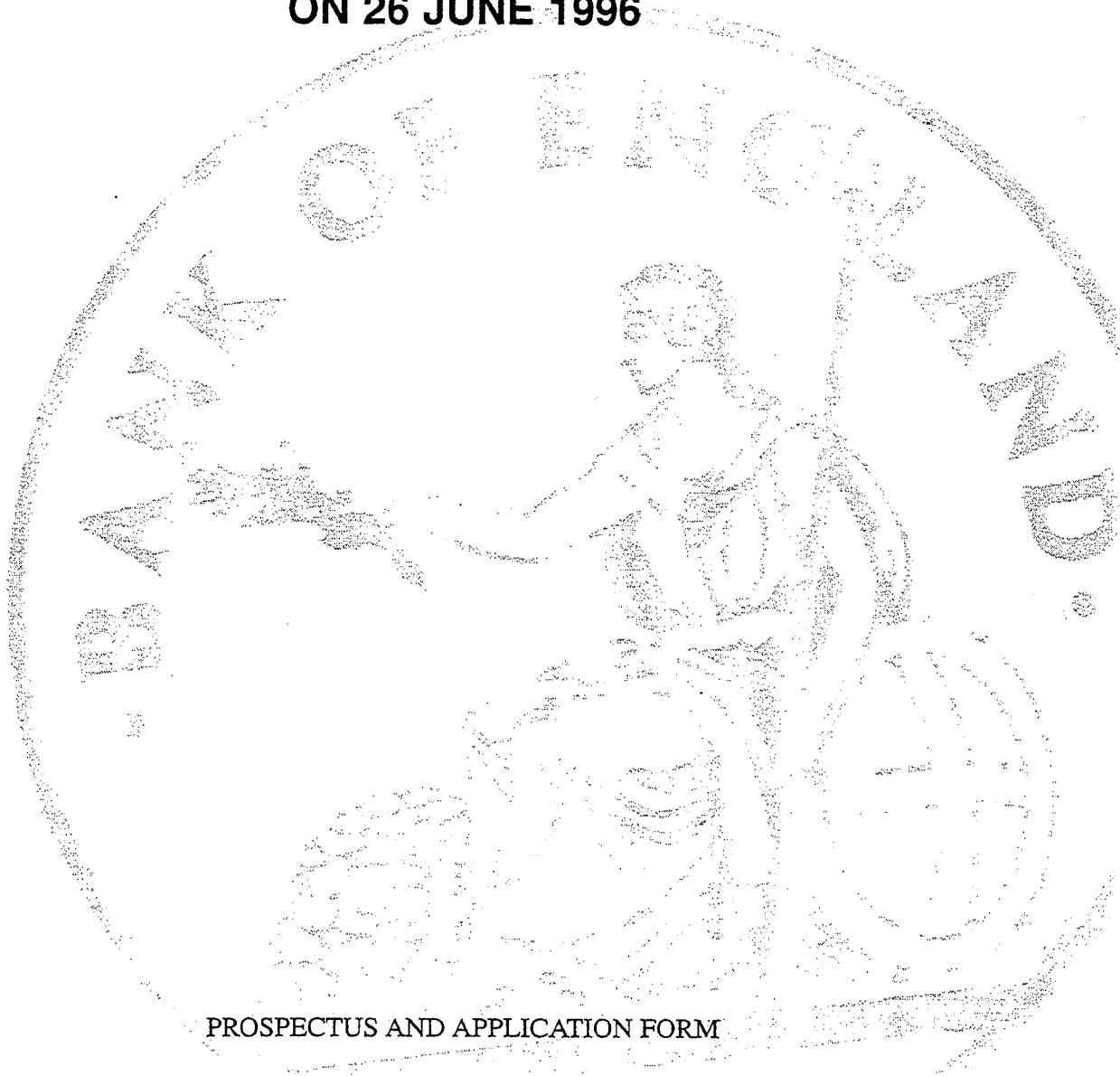




ISSUE OF £3,000,000,000

# FLOATING RATE TREASURY STOCK 2001

FOR AUCTION ON A BID PRICE BASIS  
ON 26 JUNE 1996



PROSPECTUS AND APPLICATION FORM

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 JUNE 1996; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 JUNE 1996.

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ISSUE OF £3,000,000,000

# FLOATING RATE TREASURY STOCK 2001

INTEREST PAYABLE QUARTERLY AT LIBID LESS  $\frac{1}{8}\%$   
FOR AUCTION ON A BID PRICE BASIS ON 26 JUNE 1996

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PAYABLE IN FULL WITH APPLICATION

*This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 27 June 1996.*

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
3. The Stock will be repaid at par on the interest payment date (as defined in paragraph 10 below) falling in July 2001.
4. Applications must be for not less than £250,000 nominal of Stock.
5. The Stock may only be held by members of the Central Gilts Office (CGO) Service and transferred through that Service. Accordingly, the Stock will be registered at the Bank of England for the account of members of the CGO Service only, and will be transferable by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation.

## Interest

6. Interest will be payable quarterly in accordance with paragraph 10 below. Where interest payment instructions have been provided, interest will be paid by CHAPS payments, or by such other method as the Bank of England may from time to time announce for the purposes of this paragraph; otherwise interest will be paid by warrant sent by post. The amount of each interest payment will be calculated by reference to CGO balances at the close of member-to-member deliveries (other than deliveries-by-value) on the business day prior to the interest payment date.
7. Pursuant to a direction of Her Majesty's Treasury under Section 50 of the Income and Corporation Taxes Act 1988, interest on the Stock will be paid without deduction for or on account of United Kingdom income tax. However, the interest has a United Kingdom source and therefore may in certain circumstances be chargeable to United Kingdom tax by direct assessment.
8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. For the purposes of this paragraph, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.
9. The exemption set out in paragraph 8 is subject to the following:
  - (i) The exemption will not apply so as to exclude the Stock or the interest payable thereon from any computation for taxation purposes of any income, profits or gains derived from any trade or business carried out in the United Kingdom.
  - (ii) The exemption is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons resident or ordinarily resident in the United Kingdom, and, in particular, no amount in respect of the Stock or the interest payable thereon will be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.
  - (iii) The exemption will not entitle a person to claim any repayment of tax unless the claim is made within the time limit provided for under applicable legislation. In general, such a claim will be within the time limit if it is made within six years from the end of the year of assessment to which it relates.

## Interest Payment Dates

10. Interest will accrue from 27 June 1996 (the issue date) and such interest will be payable on 8 October 1996 and on each date thereafter which (except as stated below) falls three months after the preceding interest payment date (each such date being an "interest payment date"). If any interest payment date would otherwise fall on a day which is not a business day (as defined below) it shall be postponed to the next business day unless it would thereby fall in the next calendar month, in which event that interest payment date shall be the immediately preceding business day and each subsequent interest payment date shall be the last business day of the third month after the month in which the preceding interest payment date fell. In this prospectus the period from (and including) one interest payment date (or the issue date) to (but excluding) the next (or first) interest payment

date is called an "interest period" and "business day" means a day (other than Saturday or Sunday) on which banks are open for business in London.

#### Rate of Interest

11. The rate of interest per annum payable in respect of the Stock for each interest period shall be 1/8% below the rate per annum determined by the Bank of England to be the arithmetic mean (rounded if necessary to the nearest fifth decimal place) of the rates at which three month deposits in sterling are bid as at 11.00 am on each interest determination date (as described in paragraph 14 below) by the twenty reference banks referred to in paragraph 12 below, provided that (i) if sixteen or more such quotations are so available, the five highest (or, if there are more than five such highest rates, only five of such rates) and the five lowest (or, if there are more than five such lowest rates, only five of such rates) shall be disregarded by the Bank of England for the purposes of determining such arithmetic mean; (ii) if fewer than sixteen but more than eight such quotations are available, the two highest (or, if there are more than two such highest rates, only two of such rates) and the two lowest (or, if there are more than two such lowest rates, only two of such rates) shall be disregarded by the Bank of England for the purposes of determining such arithmetic mean; (iii) if fewer than nine such quotations are available, the Bank of England shall request quotations of the rates at which three month deposits in sterling are bid as at 11.00 am on the interest determination date by such other banks as the Bank of England shall select, if practicable consulting Her Majesty's Treasury, so that (ii) above may be applied. If the rate of interest cannot be determined in accordance with the foregoing provisions the rate of interest shall be that established on the last preceding interest determination date.

12. For the purposes of paragraph 11 above the reference banks shall be the twenty authorised institutions within the meaning of the Banking Act 1987 (including for this purpose European authorised institutions within the meaning of the Banking Coordination (Second Council Directive) Regulations 1992 which have established a branch in the UK for the purpose of accepting deposits) which, disregarding any excluded institutions referred to below, had outstanding as at the 31 December immediately preceding the relevant interest determination date the largest sterling eligible liabilities as determined by the Bank of England. For this purpose there shall be excluded any institution which, as at the 31 December immediately preceding the relevant interest determination date, was a wholly-owned subsidiary of another institution if that other institution itself is, or will by reason of such exclusion be, a reference bank.

#### Publication of Rate of Interest per annum and Interest Amounts

13. The Bank of England will, as soon as practicable after 11.00 am on each interest determination date, determine the rate of interest per annum and calculate the amount of interest payable per £100 nominal of Stock (the "interest amount") for the relevant interest period, and will publish both figures. The interest amount shall be calculated by applying the rate of interest per annum per £100 nominal of Stock, multiplying such product by the actual number of days in the interest period concerned divided by 365 and rounding the resulting figure to the nearest fourth decimal place. The Bank of England's determination of the rate of interest and the interest amount shall be final and binding upon all parties.

14. The rate of interest for the first interest period will be set on Wednesday, 19 June 1996 as described in paragraph 11 above. Thereafter the interest determination date for any interest period will be the last business day of the previous interest period.

#### 15. Method of Application

(i) Bids must be submitted on the application form published with the prospectus. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 26 JUNE 1996**; or lodged by hand at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than **10.00 AM ON WEDNESDAY, 26 JUNE 1996**. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Wednesday, 26 June 1996. Bids will not be revocable between 10.00 am on Wednesday, 26 June 1996 and 10.00 am on Monday, 1 July 1996.

(ii) Each bid must be for one amount and for a minimum of £250,000 nominal of Stock and for a multiple of Stock as follows:-

<i>Amount of Stock applied for</i>	<i>Multiple</i>
<b>£250,000-£1,000,000</b>	<b>£250,000</b>
<b>£1,000,000 or greater</b>	<b>£1,000,000</b>

(iii) Each gilt-edged market maker may bid for up to 0.5% of the stock on offer at the GEMM allotment price. The GEMM allotment price will be equal to the weighted average of the prices at which other bids have been accepted, rounded down to the nearest multiple of one penny.

(iv) All other bids must state a price expressed as a multiple of one penny.

16. The Bank of England reserves the right to reject any bid or part of any bid. Bids (other than bids at the GEMM allotment price) will be ranked in descending order of price and Stock will be sold to applicants whose bids are at or above the lowest price at which the Bank of England decides that any bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES AT WHICH THEY BID:** bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

17. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result in delays in delivery or registration of the Stock. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit.

18. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock for any reason will not affect the GEMM allotment price or any other sale of Stock.

19. Subject to the provisions governing membership of the CGO Service, the applicant agrees to accept delivery of Stock sold to him on Thursday, 27 June 1996 by means of a member-to-member delivery to the CGO account of the person specified in Section 4 of the application form from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure by that person to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 27 June 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

20. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

21. The taxation position of the Stock, under current legislation, is broadly as follows:

- (i) The Stock will be specified as a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.
- (ii) Gilt-edged securities which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain circumstances, accrued.
- (iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

*Government Statement*

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND  
LONDON

18 June 1996