

PRELIMINARY OFFERING CIRCULAR DATED 24 APRIL 2024

This Preliminary Offering Circular and the information contained herein is subject to completion and/or amendment.



United Kingdom
Debt Management
Office

ISSUE OF £[•]

4³/₈% TREASURY GILT 2054

(to be consolidated, and form a single series, with the 4³/₈% Treasury Gilt 2054 first issued on 24 January 2024 of which £6,000,000,000 in nominal amount is currently outstanding)

(ISIN CODE GB00BPSNBB36)

ON 25 APRIL 2024

Joint Lead Managers

BNP PARIBAS

Goldman Sachs International Bank

HSBC

Morgan Stanley

UBS Investment Bank

Co-Lead Managers

Barclays

BofA Securities

Citigroup

Deutsche Bank

J.P. Morgan

Lloyds Bank Corporate Markets

NatWest Markets

Nomura

RBC Capital Markets

**Santander Corporate & Investment
Banking**

Offering Circular dated 24 April 2024

Application has been made to the Financial Conduct Authority for the Gilt (as defined below) to be admitted to the Official List on 25 April 2024, the issue date of the Gilt.

Application has also been made to the London Stock Exchange plc (the "London Stock Exchange") for the Gilt to be admitted to trading on the London Stock Exchange's main market.

ISSUE OF THE GILT

1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") announces the issue by subscription of £[●] 4³/₈% Treasury Gilt 2054 (the "Gilt") (to be consolidated, and form a single series, with the 4³/₈% Treasury Gilt 2054 first issued on 24 January 2024 of which £6,000,000,000 in nominal amount is currently outstanding (the "Existing Gilt")).

GENERAL

2. The Gilt is issued pursuant to the provisions of Section 12 of the *National Loans Act 1968*. For the avoidance of doubt the Gilt shall be "stock" for the purposes of all relevant statutory provisions. This Offering Circular is a "prospectus" for the purposes of the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO dated 28 March 2024 (the "Information Memorandum").
3. The principal of and interest on the Gilt will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom of Great Britain and Northern Ireland.
4. The proceeds of the issue of the Gilt will be paid into the National Loans Fund and applied towards the net funding requirement of the Government of the United Kingdom of Great Britain and Northern Ireland.
5. The Gilt may be held in either certificated or uncertificated form. Holdings of the Gilt in uncertificated form will be registered at the Registrar, held by members of the CREST system ("CREST") and transferable pursuant to the *Uncertificated Securities Regulations 2001*¹ (as amended). Holdings of the Gilt in certificated form will be registered at the Registrar and transferable by instrument in writing in accordance with the *Stock Transfer Act 1963*. For the purposes of this Offering Circular, "the Registrar" means "His Majesty's Treasury's designated Registrar; currently Computershare Investor Services PLC".

¹ *Uncertificated Securities Regulations 2001* (SI 2001/3755).

6. The Gilt will be transferable in multiples of one penny.
7. Payment of principal of and interest on the Gilt and of sums payable in respect of strips will be made by credit to a bank or building society account or, in the case of CREST participants, into a CREST Cash Memorandum Account in accordance with the holder's instructions to the Registrar and, where applicable, to CREST, or, at the option of the holder, by warrant sent by post. In the absence of instructions from the holder, payment of interest on the Gilt will be made by interest warrant sent by post.
8. If the due date for payment of any amount of principal or interest in respect of the Gilt is not a business day then payment may not be made until the next succeeding business day and in such cases the holder of the Gilt will not be entitled to any further interest or other payment in respect of such delay. For these purposes, "business day" means any day which is not a Saturday or Sunday, Good Friday, Christmas Day, nor a day which is a bank holiday in England and Wales under the *Banking and Financial Dealings Act 1971*.

MATURITY

9. The Gilt will be repaid at par on 31 July 2054.

INTEREST

10. Interest on the Gilt will be payable half-yearly on 31 January and 31 July.
11. Interest on this further issue of the Gilt will accrue from 24 January 2024, the first issue date of the Existing Gilt, and the long first interest payment will be due on 31 July 2024 at the rate of £2.27072 per £100 nominal of the Gilt. The price payable will include an amount equal to the accrued interest (the "Accrued Interest") from 24 January 2024 to 25 April 2024, the settlement date of this issue, at the rate of £1.104854724080 per £100 nominal of the Gilt.

TAXATION

12. The general taxation position for the Gilt, under current legislation and our understanding of HM Revenue & Customs' practice, is broadly as follows below:
 - i. Interest payments on the Gilt will be paid without deduction of income tax unless the holder of the Gilt has elected to receive interest payments net of income tax. However, as income arising on the Gilt has a United Kingdom source, it may in certain circumstances be chargeable to United Kingdom income tax.

- ii. The Gilt will be a gilt-edged security for the purposes of Schedule 9 to the *Taxation of Chargeable Gains Act 1992*. Accordingly, a disposal of the Gilt will not give rise to a chargeable gain or allowable loss for the purposes of capital gains.
- iii. The Gilt is not a "deeply discounted security" for income tax purposes. Thus, for a holder of the Gilt who is neither trading in the Gilt nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Gilt will generally be limited to income tax on interest received or, in certain circumstances, accrued.
- iv. For a holder within the charge to corporation tax, a holding of the Gilt will be a "loan relationship" to which the provisions of Part 5 of the *Corporation Tax Act 2009* will apply. Accordingly, such holders of the Gilt will generally be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Gilt broadly in accordance with their statutory accounting treatment.
- v. Transfers of the Gilt are free of stamp duty and stamp duty reserve tax.

Residents abroad: freedom from tax (FOTRA exemptions)

13. The 4% Treasury Gilt 2054 was first issued on 24 January 2024 and, consequently, the Gilt and the interest payable on it will benefit from the exemptions from United Kingdom taxation in favour of non-resident holders described below; references in this paragraph to "Gilt" are to the Gilt and interest payable thereon:
- i. The Gilt will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Gilt is in the beneficial ownership of persons who are not resident in the United Kingdom.
 - ii. This exemption will not apply so as to exclude the Gilt from any computation for taxation purposes of any income, profits or gains derived from any trade or business carried on in the United Kingdom.
 - iii. This exemption is also subject to paragraphs 14 to 16 (inclusive) below.

General

14. For the purposes of paragraph 13 above, persons are not resident in the United Kingdom if they are regarded as not resident for the purposes of United Kingdom income tax.
15. The exemptions set out in paragraph 13 above are subject to the following limitations:
 - i. The exemptions are subject to the provisions of any law, present or future, of the United Kingdom directed at preventing avoidance of taxation by persons resident in the United Kingdom. In particular, no amount in respect of the Gilt 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 defined in section 831(1)(b) of the *Income and Corporation Taxes Act 1988*) as income of any person resident in the United Kingdom.
 - ii. The exemptions 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 four years after the end of the year of assessment to which it relates.
16. Where relevant, applications for exemption from United Kingdom income tax should be made in such form as may be required by HM Revenue & Customs. The appropriate forms may be obtained by contacting HM Revenue & Customs on 0300 200 3300 or (if calling from outside the United Kingdom) +44 135 535 9022.

GOVERNMENT STATEMENT

17. As explained in the statement issued by His Majesty's Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither His Majesty's Government nor its 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, a Gilt is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

GROSS PAYMENT OF INTEREST

18. Interest will be paid without deduction of income tax. However, holders of the Gilt may elect to have United Kingdom income tax deducted from interest payments on application to the Registrar, Computershare Investor Services PLC.

METHOD OF ISSUE

Subscription Agreement

19. Pursuant to a subscription agreement (the "Agreement") dated 24 April 2024 between His Majesty's Treasury acting through the DMO and BNP Paribas, Goldman Sachs International Bank, HSBC Bank plc, Morgan Stanley & Co. International plc and UBS AG London Branch (together the "Joint Lead Managers"), and Banco Santander, S.A., London Branch, Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Merrill Lynch International, NatWest Markets Plc, Nomura International plc and RBC Europe Limited (together with the Joint Lead Managers, the "Managers"), the Managers have jointly and severally agreed to subscribe and pay for the Gilt at the price stated in the Agreement per £100 nominal of the Gilt (plus the Accrued Interest). The Agreement may be terminated in certain circumstances prior to payment being made to the DMO.
20. Solely for the purposes of each UK manufacturer's product approval process, the target market assessment in respect of the Gilt has led to the conclusion that:
- i. the target market for the Gilt is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of *the European Union (Withdrawal) Act 2018* ("EUWA"), eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
 - ii. all channels for distribution of the Gilt are appropriate.

Any person subsequently offering, selling or recommending the Gilt (a "UK distributor") should take into consideration the UK manufacturers' target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Gilt (by either adopting or refining the UK manufacturers' target market assessment) and determining appropriate distribution channels.

21. Solely for the purposes of each EU manufacturer's product approval process, the target market assessment in respect of the Gilt has led to the conclusion that:
- i. the target market for the Gilt is eligible counterparties and professional clients only, each

as defined in Directive 2014/65/EU (as amended, "EU MiFID II"); and

- ii. all channels for distribution of the Gilt to eligible counterparties and professional clients are appropriate.

Any person subsequently offering, selling or recommending the Gilt (an "EU distributor") should take into consideration the EU manufacturers' target market assessment; however, an EU distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Gilt (by either adopting or refining the EU manufacturers' target market assessment) and determining appropriate distribution channels.

- 22. Each Manager has represented and agreed in the Agreement that it has complied and will comply with all applicable provisions of the *Financial Services and Markets Act 2000*, as amended with respect to anything done by it in relation to the Gilt in, from or otherwise involving the United Kingdom.
- 23. The Gilt has not been and will not be registered under the *US Securities Act of 1933*, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented and agreed in the Agreement that it has not offered or sold, and will not offer or sell, any of the Gilt constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.
- 24. In addition, until 40 days after the commencement of the offering, an offer or sale of the Gilt within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.
- 25. No action has been taken or will be taken in any jurisdiction by His Majesty's Treasury or any of the Managers that would permit a public offering of the Gilt, or possession or distribution of this Offering Circular (in draft or preliminary or final form) or any amendment or supplement hereto or any other offering or publicity material relating to the Gilt, in any country or jurisdiction where action for that purpose is required. Each Manager has agreed in the Agreement that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers the Gilt or has in its possession or distributes this Offering Circular (in draft or preliminary or final form) or any amendment or supplement thereto or any such other material, in all cases at its own expense.

Commission paid to the Managers

26. His Majesty's Treasury shall pay to the Managers an amount equal to the commission provided for in the Agreement.

Price payable

27. The Gilt will be issued to the Managers at a price of £[●] per £100 nominal of the Gilt (being the price the DMO is prepared to accept for subscriptions from investors subscribing through the Managers), plus the Accrued Interest.

28. The price payable by subscribers will be £[●] per £100 nominal of the Gilt (being the re-offer price at which the Managers have agreed in the Agreement that the Gilt will be sold to subscribers), plus the Accrued Interest.

Settlement of allocations of the Gilt

29. Settlement of subscriptions for the Gilt by the Managers shall be effected in accordance with the terms of the Agreement.

Stabilisation

30. In connection with the issue of the Gilt, the Joint Lead Managers (or persons acting on their behalf) may over-allot the Gilt or effect transactions with a view to supporting the market price of the Gilt and the Existing Gilt at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Gilt is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the first issue date of the Gilt and 60 days after the date of allotment of the Gilt. Any stabilisation action or over-allotment must be conducted by the Joint Lead Managers (or persons acting on their behalf) in accordance with all appropriate laws and rules.

Further Issues of the Gilt

31. His Majesty's Treasury, acting through the DMO, may from time to time, without the consent of the holders of the Gilt, create and issue, by whatever methods the DMO shall at its absolute discretion decide, further amounts of the Gilt. Any such further issues of the Gilt shall be fungible in all respects with the Gilt already in issue.

STRIPPING

32. The Gilt may not be stripped and reconstituted until so specified in a notice issued by the DMO. Upon issue of such a notice, all the provisions relating to strips contained in the Information Memorandum will apply to the Gilt and strips derived from the Gilt. The Information Memorandum contains a summary of the general taxation treatment of strips as at the date thereof.

GOVERNING LAW

33. This Offering Circular and the Agreement and any other relevant documents, and any non-contractual obligations or matters arising therefrom or in connection therewith, are governed by, and shall be construed in accordance with, the laws of England and Wales.



United Kingdom
Debt Management
Office

24 April 2024

REGISTRAR

Computershare Investor Services PLC

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LEGAL ADVISERS

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