



ISSUE OF £2,500,000,000

7¹/₄% TREASURY STOCK 2007

FOR AUCTION ON 28 JANUARY 1997

PROSPECTUS FOR NON-COMPETITIVE
BIDS FOR UP TO £500,000 NOMINAL OF STOCK

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 TUESDAY, 28 JANUARY 1997; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON TUESDAY, 28 JANUARY 1997; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.00 PM ON MONDAY, 27 JANUARY 1997.

ISSUE OF £2,500,000,000

7¼% TREASURY STOCK 2007

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON 28 JANUARY 1997

PAYABLE WITH APPLICATION AT THE RATE OF £102 PER £100 NOMINAL OF STOCK

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 29 January 1997.

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 7 December 2007.
4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.
5. Interest will be payable half-yearly on 7 June and 7 December. Interest warrants will be sent by post. Interest will accrue from 29 January 1997 and the first interest payment will be made on 7 June 1997 at the rate of £2.5623 per £100 nominal of Stock.
6. 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.
7. The Stock may be held on the National Savings Stock Register.
8. The Stock 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. 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 from any computation for taxation purposes of any income, profits or gains derived from any trade or business carried on 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. In particular, no amount in respect of the Stock 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 five years from the 31 January following the year of assessment to which it relates.
10. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. It was further announced on 13 August 1996 that interest payments due to be paid on 7 June 1997 and thereafter on gilts intended to be strippable would be paid without deduction of United Kingdom income tax and would be exempt from those quarterly accounting arrangements. This extends to 7¼% Treasury Stock 2007. Her Majesty's Treasury will issue the requisite

direction under Section 50 of the Income and Corporation Taxes Act 1968 in respect of this Stock. The starting date for an official strips facility will be announced in due course.

11. Further details of the tax treatment of securities resulting from the stripping of Stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 and 9 above in relation to such stripped securities are subject to modification.

Method of Application

12. Bids may be made on either a competitive or a non-competitive basis, but the information set out below relates only to non-competitive bids. Bids must be submitted on the application form published with the prospectus.

13. 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 TUESDAY, 28 JANUARY 1997**; or lodged by hand at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than **10.00 AM ON TUESDAY, 28 JANUARY 1997**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.00 PM ON MONDAY, 27 JANUARY 1997**. Bids will not be revocable between 10.00 am on Tuesday, 28 January 1997 and 10.00 am on Friday, 31 January 1997.

14. 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 despatch of certificates. 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.

15. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.

16. NON-COMPETITIVE BIDS

- (i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.
- (ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.
- (iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £102 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
- (iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price. The non-competitive sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**
- (v) If the non-competitive sale price is less than £102 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.
- (vi) If the non-competitive sale price is greater than £102 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £102 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.
- (vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

17. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

18. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

19. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or to the receipt of satisfactory evidence of identity as appropriate, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

20. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is rejected the amount paid on application will be returned by post at the risk of the applicant. Non-payment on presentation of a cheque in respect of any Stock sold may result in the sale of the Stock being cancelled. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by

reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

21. 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.

22. 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

21 January 1997