

SUPPLEMENTARY METHODS FOR DISTRIBUTING GILTS: RESPONSE TO CONSULTATION

The DMO is today publishing its response to the consultation on supplementary gilt distribution methods and is announcing the following provisional conclusions in respect of such methods in 2009-10:

- Mini-tenders – the DMO sees merit in the continued use of mini-tenders to support the auction process, for a small part of the total issuance programme in 2009-10. The DMO will discuss with market participants at the consultation meetings on 23 March preliminary views on gilts to be issued by mini-tender in April and May 2009.
- Syndication – the DMO sees merit in the use of syndication in 2009-10, alongside the auction programme, in particular, to issue larger volumes of long-dated conventional and index-linked gilts per operation than it judges would be possible via auction. It is anticipated that syndicated issuance would occur no more frequently than once in any quarter, following the usual quarterly consultation process with market participants.
- Direct placement – the DMO does not see merit in issuing gilts via direct placement.
- Bidding format – the DMO is not currently minded to make changes to the bidding format for gilt auctions (bid-price for conventional gilts and uniform price for index-linked gilts), but this will be kept under review.
- Additional non-competitive facility – the DMO sees merit in – and wishes to explore further – the possibility of introducing a facility to issue GEMMs with an option to purchase a small additional amount (e.g. 10%) of stock for a short time after the close of each auction at the average accepted price (conventional gilts) or the strike price (index-linked gilts). One possible way in which such a facility might work is set out in the consultation response document. The DMO will consult market participants on the detail of such a facility and market participants are invited to contact the DMO's dealing desk by Thursday 9 April if they wish to provide feedback on this issue.
- The DMO does not see merit in changing any other aspect of the auction process.
- The Government has no current plans to launch any new types of instrument in the near future, but will keep this under review.

The Government will announce details of any new supplementary distribution methods to be used in the 2009-10 financing remit in the Debt and reserves management report to be published alongside Budget 2009 on 22 April.

The DMO's response document is being published today on its website at www.dmo.gov.uk/documentview.aspx?docname=publications/giltmarket/consultationpapers/cons20090318.pdf