

## **RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE Q3 2007-08 GILT AUCTION CALENDAR ANNOUNCEMENT**

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 28 August 2007. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled auctions in October - December 2007.

Nine gilt auctions are scheduled in the third quarter of FY 2007-08: five conventional gilt auctions and four of index-linked gilts. The conventional auctions are scheduled to be held on 2 October, 1, 6 and 28 November and 4 December. The index-linked auctions are scheduled to be held on 10 and 24 October, 20 November and 12 December. The auction calendar for the third quarter will be announced at 3:30pm on Friday 31 August 2007. The following main points emerged in discussion:

### **GEMMs**

Conventional: Almost all GEMMs suggested two further re-openings of 4¼% 2042, and some even advocated three such operations in Q3. Those who expressed a preference for the launch of a new long-dated gilt had mixed opinions on the maturity, although 2030 was the most often mentioned, along with suggestions of 2034, 2040 or a new 40-year. 5¼% 2012 and 5% 2018 were unanimous choices for 5- and 10-year issuance, with some suggesting that the 5¼% 2012 auction might be held late in the quarter to coincide closely with the redemption of 7¼% 2007. Most suggested 5% 2018 for early November. Some GEMMs also raised the issue of liquidity at the short-end of the yield curve.

Index-linked: There was virtual unanimity over the choice of 1⅞% IL 2022 on 10 October and some called for this gilt to be issued twice in Q3. Views were mixed about the need for the introduction of a new 40-year index-linked gilt in the next quarter, with others preferring to concentrate instead on continuing to build up the existing 1⅞% IL 2037. Some GEMMs called for an auction of 1¼% IL 2027 in the coming quarter, and there were also isolated calls for re-openings of the 2017s, 2035s and 2055s.

### **Investors**

Conventional: Most attendees recommended that 4¼% 2042 be re-opened twice in Q3 and there was a general preference for a new long-dated bond in the 40-year area (maturity years of 2048 or 2050 were mentioned) rather than something shorter. Some attendees expressed the view that it might be advisable to launch a new 40-year conventional before any new 40-year index-linked gilt. 5¼% 2012 and 5% 2018 were again seen unanimously as the obvious choices for 5- and 10-year issuance, and here too were some suggestions that the 5¼% 2012 auction might be scheduled for 4 December to help smooth the redemption of 7¼% 2007.

Index-linked: All supported a reopening of 1⅞% IL 2022 on 10 October and a number suggested that this bond be re-opened later in the quarter. Most also supported the launch of a new 40-year index-linked gilt, with 2046 and 2048 suggested as redemption years. There was also general support for at least one re-opening of 1⅞% IL 2037 in Q3 and an isolated call for a re-opening of 1¼% IL 2027.

### **Any other business – Islamic financial instruments**

An update was given on the feasibility study into whether the Government should issue wholesale Islamic financial instruments, which is being undertaken by the Debt Management Office and HM Treasury. Significant progress has been made in the study assessing the costs and benefits of issuance, as well as consulting with relevant stakeholders including the City and members of the Islamic Finance Experts Group. Attendees at both meetings were encouraged to continue to feed in their views on the potential benefits of such issuance. The Government will publish a progress report on the feasibility study with the Pre-Budget Report in October.

**The next quarterly consultation meetings will be held on Monday 26 November 2007.**