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PRESS NOTICE

REDEMPTION OF 3% TREASURY STOCK

The government is today announcing that 3% Treasury Stock will be redeemed in its entirety at par on 8 May 2015.

Under the terms of its Prospectus dated 23 February 1946, 3% Treasury Stock can be redeemed at par at any time on or after 5 April 1966, subject to the government giving at least three months' notice in the London Gazette. A formal notice to this effect is being published in the London Gazette today.

Redemption monies (and the final non-standard interest payment of £0.271233 per £100 nominal) will be payable on 8 May 2015 to, or in accordance with the instructions of, the persons registered as holders on 28 April 2015.

3% Treasury Stock has £34.6 million (nominal) in issue and is one of the seven outstanding undated gilts currently remaining in the gilt portfolio; these total £2.37 billion nominal and comprise less than 0.2% of the gilt portfolio.

The Government has previously announced the redemption of three undated gilts: 4% Consolidated Loan (which was redeemed on 1 February 2015), 3½% War Loan (to be redeemed on 9 March 2015) and 3½% Conversion Loan (to be redeemed on 1 April 2015).

Following the redemption of 3% Treasury Stock, four undated gilts will remain in the gilt portfolio, totalling £384.6 million nominal (0.03% of the gilt portfolio). The government has also announced that it will adopt a strategy to remove the other undated gilts from the gilt portfolio where that is deemed to provide value for money.

NOTES TO EDITORS

3% Treasury Stock was issued on 1 March 1946 in accordance with the provisions of the Bank of England Act 1946 (the legislation by which the capital stock of the Bank of England was brought into public ownership). On the transfer date (1 March 1946) existing Bank of England stockholders received 3% Treasury Stock in such amounts to provide them with the same income as that on their Bank stockholdings, which had paid a dividend of 12% per annum (i.e. £400 nominal of 3% Treasury Stock for each £100 of Bank of England Stock).

The table below lists the current undated gilts (where announced this includes the relevant redemption dates). All of these gilts, except 3½% War Loan, are rump gilts¹.

| Gilt (announced redemption date) | £ million (nominal) |
|---|----------------------------|
| | |
| 3½% War Loan (9 Mar 2015) | 1,938.6 |
| 3½% Conversion Loan (1 Apr 2015) | 15.6 |
| 3% Treasury Stock (8 May 2015) | 34.6 |
| 2¾% Annuities | 0.7 |
| 2½% Treasury Stock | 220.9 |
| 2½% Consolidated Stock | 162.1 |
| 2½% Annuities | 0.9 |

The redemption of 3% Treasury Stock will increase the redemption total for 2015-16 and will be factored into the DMO's financing remit and financed as part of the DMO's overall debt sales programme in 2015-16.

The strategy to remove all undated gilts from the gilt portfolio, where it is deemed to provide value for money, is a reflection of the current low interest rate environment, and the government's intention to reflect in its gilt portfolio those aspects of major sovereign bond markets of most importance to global investors, importantly including a continued focus on a benchmark issuance strategy to create large liquid stocks, thereby facilitating investor access to the market.

The government will bring forward the necessary legislation to provide for any future redemption of the three undated gilts for which Parliamentary approval is required (2¾% Annuities, 2½% Annuities and 2½% Consolidated Stock). The government would then be able to redeem these gilts as and when it is deemed value for money to do so.

The final non-standard interest payment of £0.271233 per £100 nominal has been calculated using the actual/365 daycount convention (which was the market convention prior to November 1998) rather than the current market convention of actual/actual. In calculating any final non-standard interest payments associated with the redemption of existing undated gilts, the government will pay all investors the higher of actual/actual and actual/365.

This press notice will be appearing on the DMO's website at: www.dmo.gov.uk

¹ Gilts whose size is deemed by the DMO to be so small that Gilt-edged Market Makers (GEMMs) are not required to make a market in them and the DMO acts as buyer of last resort.