

Syndicated offerings: an operational note

1. This note sets out further operational details on the DMO's programme of syndicated offerings.

Use of syndication

2. In 2009-10, the DMO's planning assumption allows for up to 8 syndications, focussing on supporting long conventional and index-linked issuance (£13 billion in long conventional and £12 billion in index-linked). These are planning assumptions and there is some flexibility on the exact size, type and number of operations.
3. The DMO is minded to use syndications particularly in the case of new issuance (where syndications might particularly contribute in terms of price discovery, effective placement and launch size) but does not rule out re-openings in cases where it is judged that syndication would be appropriate in order to achieve a particular goal (e.g. rapid build up to liquid benchmark size).

Appointment of lead managers and co-managers

4. The DMO will generally appoint, from a panel comprised exclusively of GEMM firms, up to four lead managers to lead each individual transaction. All other GEMMs will be invited to participate as co-managers. Each syndicated transaction will be designed to ensure co-managers have access to an amount of bonds which will help support their secondary market activity.
5. Selection for roles will be predominantly merit based – i.e. the DMO continues to expect the GEMM firms to support the financing programme overall and contribute to the depth of the secondary market, as well as being able to provide pertinent advice on the syndication element of the overall programme. The DMO will be operating the selection process within a general design that allows for most GEMMs to have a real chance, subject to performance, to act as a lead manager in a syndication during the life of the programme. No targets, selection criteria or league tables will be published.

Timetable

6. At its regular quarterly consultation meetings with GEMMs and end investors, the DMO will seek views on possible bonds that could be issued by syndication in the following period, and any views on timing.
7. The DMO will publish any intention to hold syndicated offerings – which would be subject to market and demand conditions at the time – in its quarterly issuance announcement, which is published shortly after the consultation meetings. The announcement will set out the type of bond that is likely to be offered, and some indication of timing within the quarter. It is likely that the degree of information provided will be slightly higher for offerings that might take place close to the time of publication of the quarterly issuance announcement.

8. Closer to the time of each intended syndicated offering, the DMO will announce more precise details on the bond to be issued (around 2 weeks in advance), and appoint the lead managers (around 1 week in advance). These announcements will be made on the DMO's wire service pages and will subsequently be published on the DMO's website.
9. Further information on the transaction will be communicated by the DMO and/or the lead managers throughout the bookbuilding process.

Allocation policy

10. The DMO's allocation policy for the lead manager pot will tend to favour genuine longer-term holders of the bonds, cash buyers, early participation in the order book, and will take some account of banks' (and other investors') structural purchases.
11. 'X accounts' will not be ruled out, but the DMO does not expect this to be used other than for special cases. Any 'X account' facility will operate at the discretion of the DMO and with full name give-up to the DMO.

Further operational details

12. Further operational details – including (but not limited to) arrangements for duration management and settlement, and the structure of the syndicate – will be made available in advance of each such transaction.

UK Debt Management Office
22 May 2009