



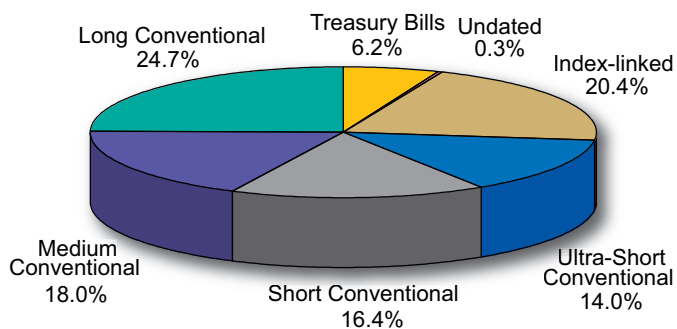
Quarterly REVIEW

Details of the gilt and Treasury bill portfolio at 30 September 2010

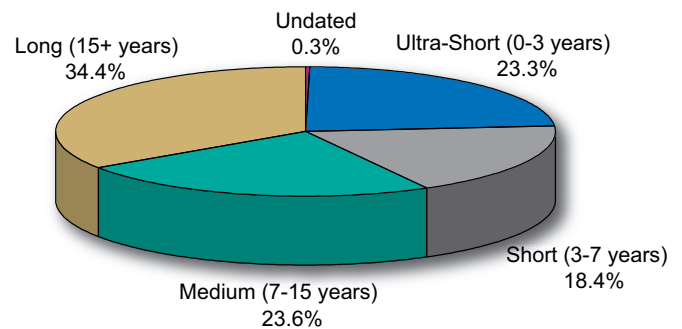
Portfolio summary statistics	30 June 2010*	30 September 2010*
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,015.86bn (£894.53bn)	£1,058.29bn (£936.81bn)
Nominal value of the gilt portfolio - including inflation uplift	£951.03bn (£829.69bn)	£992.87bn (£871.39bn)
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	£747.14bn (£638.41bn) 203.89bn (£191.29bn)	£776.47bn (£667.70bn) £216.40bn (£203.69bn)
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,119.58bn (£981.75bn)	£1,189.84bn (£1,048.70bn)
Market value of the gilt portfolio	£1,054.81bn (£916.98bn)	£1,124.48bn (£983.34bn)
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	£819.98bn (£697.40bn) £234.83bn (£219.58bn)	£870.89bn (£745.31bn) £253.59bn (£238.03bn)
Market value weighted average portfolio yield:		
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	2.84% 0.30%	2.55% 0.08%
Market value weighted average portfolio maturity - inc TBills:	13.37 years	13.47 years
Market value weighted average portfolio maturity - exc. TBills:	14.18 years	14.24 years
<ul style="list-style-type: none"> Conventional gilts - exc. undated gilts Index-linked gilts 	13.46 years 16.65 years	13.42 years 17.07 years
Market value weighted average portfolio modified duration:		
<ul style="list-style-type: none"> Conventional gilts - inc. undated gilts Index-linked gilts 	8.57 years 14.37 years	8.66 years 14.86 years

*In the above, figures in brackets are net of government holdings.

Composition of gilt and Treasury bill portfolio*



Gilt and Treasury bill portfolio maturity split**

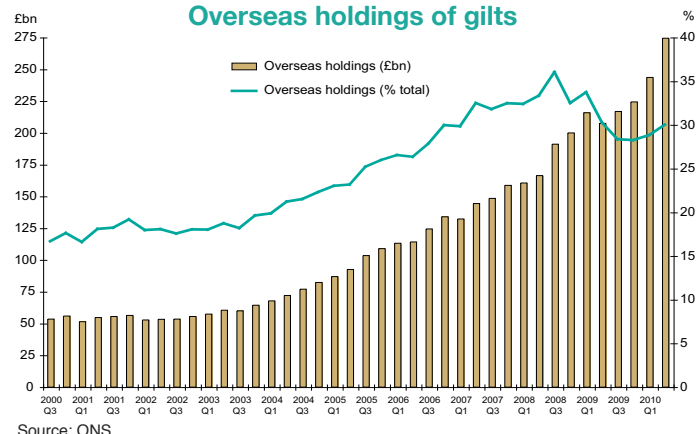


Distribution of gilt holdings at 30 June 2010 (based on market values)

(£millions)	at end	Q1 2010	Q2 2010
Insurance companies and pension funds		256,564	266,075
Overseas		243,584	274,454
Bank of England (Asset Purchase Facility)		198,275	200,368
Other financial institutions and other		83,980	88,838
Banks		41,781	64,954
Building societies		11,593	11,226
Households		10,312	9,571
Local authorities and public corporations		1,504	1,528
TOTAL		847,593	917,014

Source: ONS & BoE. These figures can be revised retrospectively.

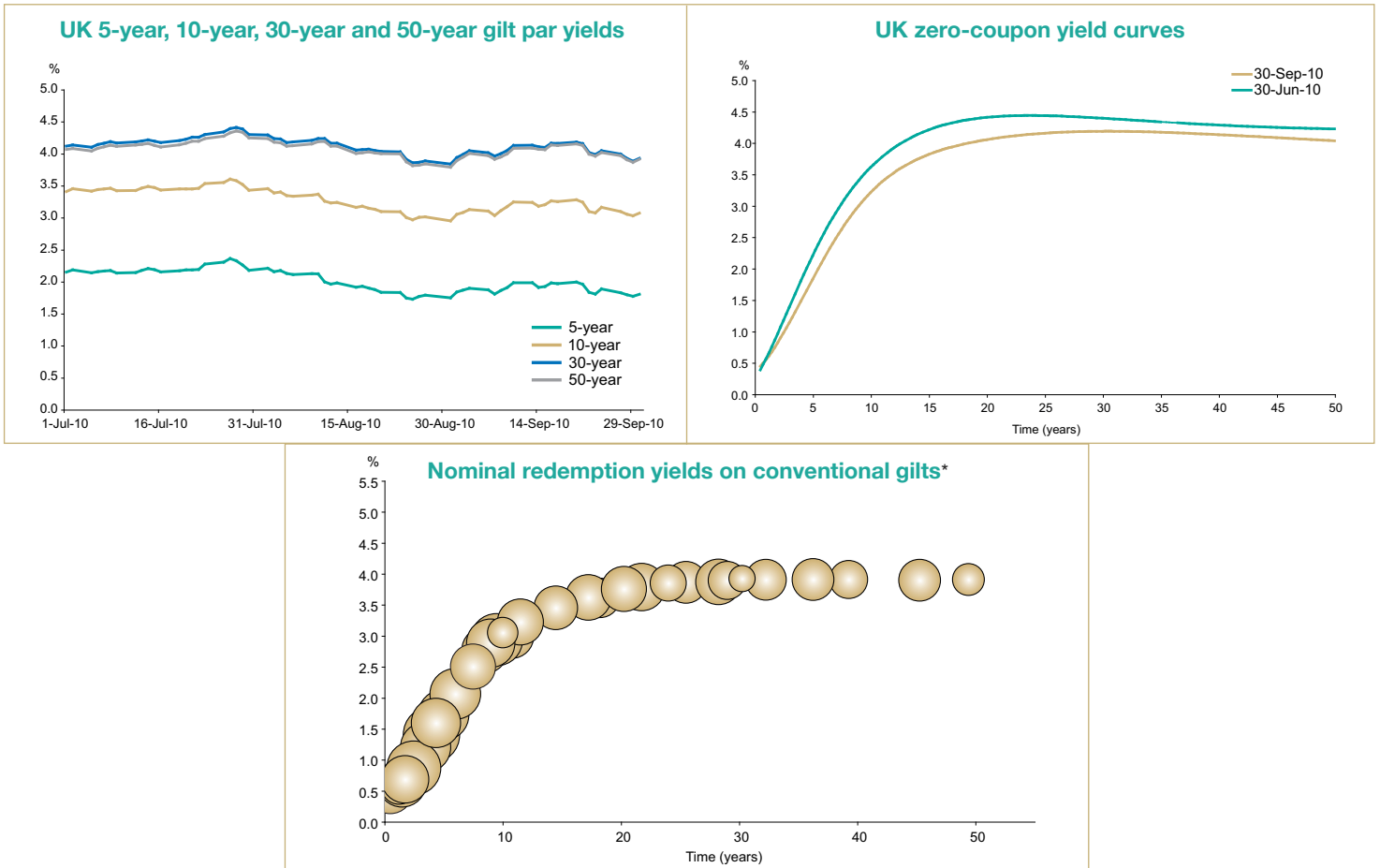
Overseas holdings of gilts



Source: ONS

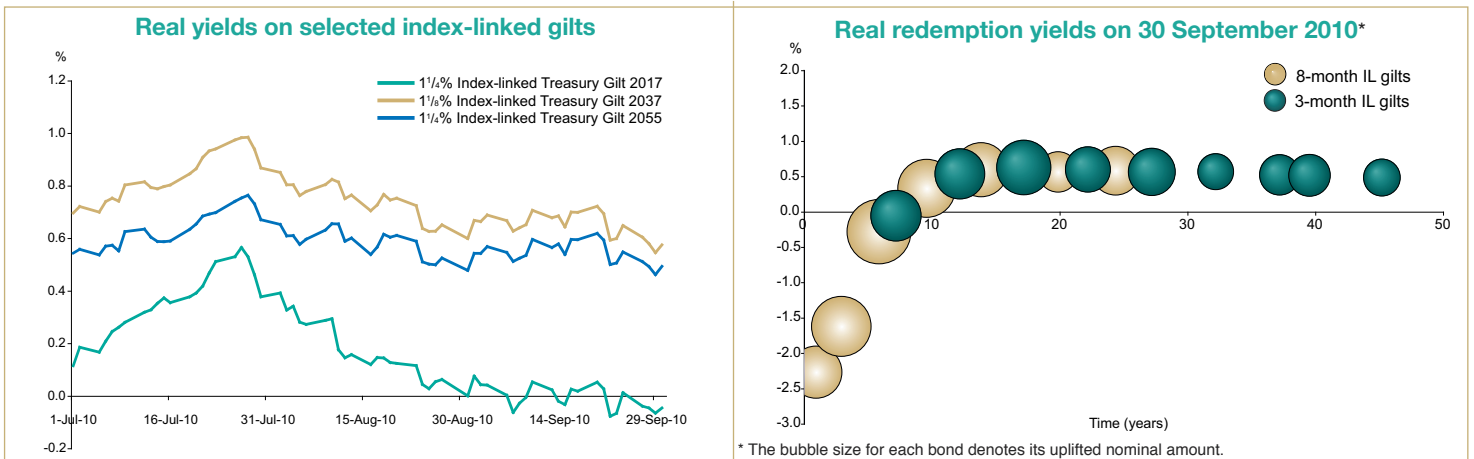
** These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts

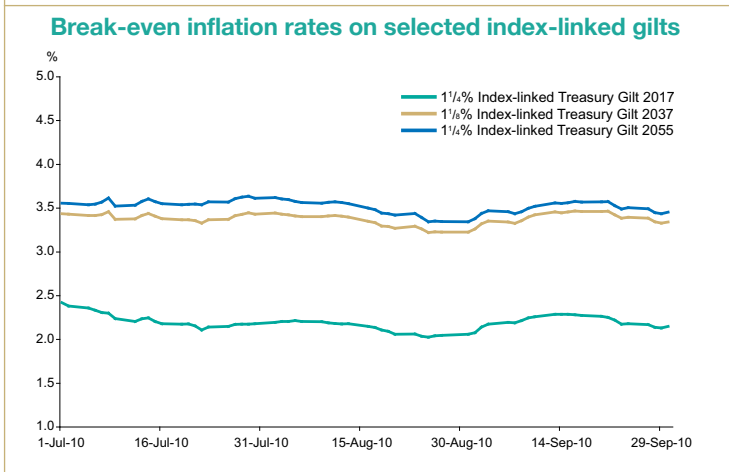


* Rump gilts are not displayed in this chart.

Index-linked gilts



* The bubble size for each bond denotes its uplifted nominal amount.



Projected redemption values of index-linked gilts based on average inflation of 2½% and 3% per annum.

Gilt Name	Inflation Assumptions	
	2.50%	3.00%
2½% Index-linked Treasury Stock 2011	304.08	304.45
2½% Index-linked Treasury Stock 2013	267.00	269.94
2½% Index-linked Treasury Stock 2016	313.59	321.57
1¼% Index-linked Treasury Gilt 2017	138.18	142.95
2½% Index-linked Treasury Stock 2020	338.44	353.45
1½% Index-linked Treasury Gilt 2022	147.27	156.12
2½% Index-linked Treasury Stock 2024	319.31	340.43
1¼% Index-linked Treasury Gilt 2027	176.59	191.81
4½% Index-linked Treasury Stock 2030	267.70	293.87
1¼% Index-linked Treasury Gilt 2032	178.60	198.77
2% Index-linked Treasury Stock 2035	232.81	261.23
1½% Index-linked Treasury Gilt 2037	216.96	247.41
0½% Index-linked Treasury Gilt 2040	214.66	247.58
0½% Index-linked Treasury Gilt 2042	233.67	273.04
0¾% Index-linked Treasury Gilt 2047	270.38	323.71
0½% Index-linked Treasury Gilt 2050	278.84	337.65
1¼% Index-linked Treasury Gilt 2055	356.16	443.36

Data extracted from www.dmo.gsi.gov.uk report D9C on 01/10/10.

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jul-09	28,179	0	1,902	26,277
Aug-09	8,119	0	879	7,240
Sep-09	27,945	-208	-6,750	20,987
Oct-09	26,035	0	-217	25,818
Nov-09	17,034	0	-634	16,400
Dec-09	14,163	-12,585	-7,163	-5,585
Jan-10	14,302	0	-1,214	13,088
Feb-10	18,427	0	-873	17,554
Mar-10	15,489	0	-8,120	7,369
Apr-10	19,327	0	-220	19,107
May-10	12,425	0	-701	11,724
Jun-10	25,687	-15,617	-6,998	3,072
Jul-10	18,189	0	-1,653	16,536
Aug-10	10,758	0	-883	9,875
Sep-10	13,188	0	-9,474	3,714
Oct-10	-	0	-223	-
Nov-10	-	-4,480	-778	-
Dec-10	-	0	-6,788	-

Figures may not sum due to rounding.

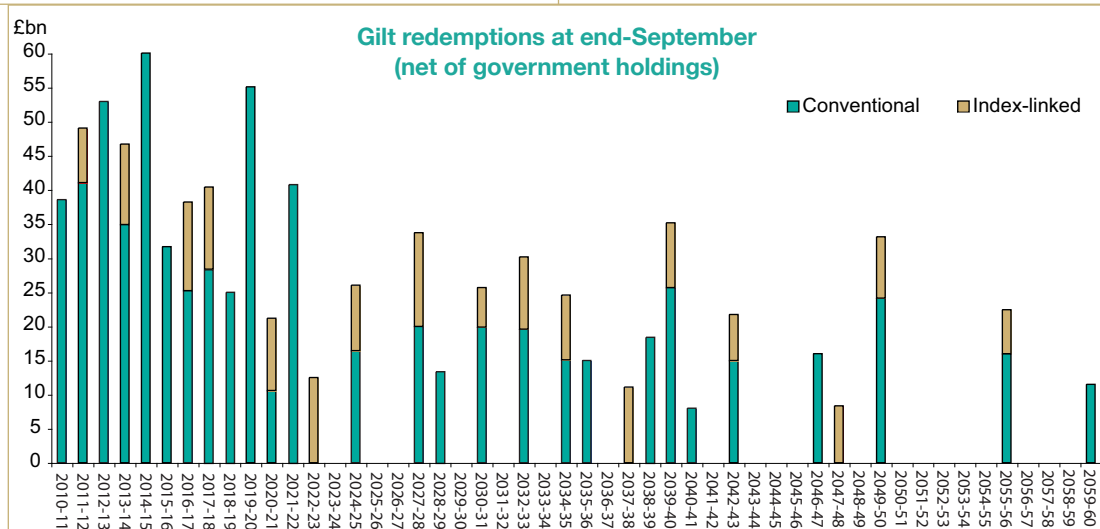
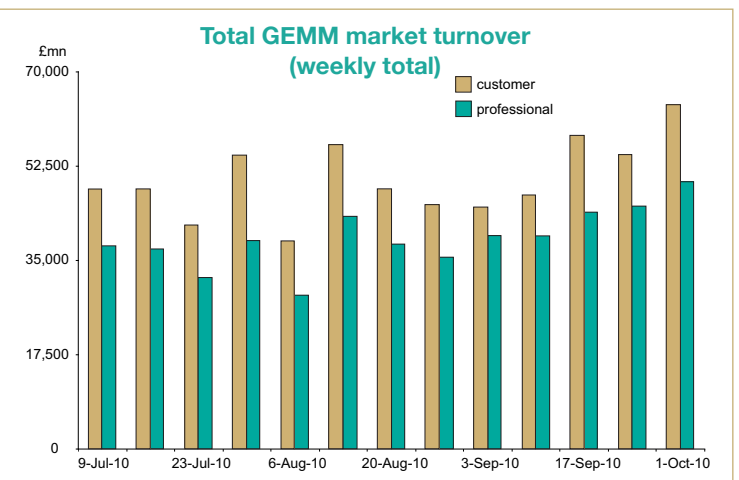
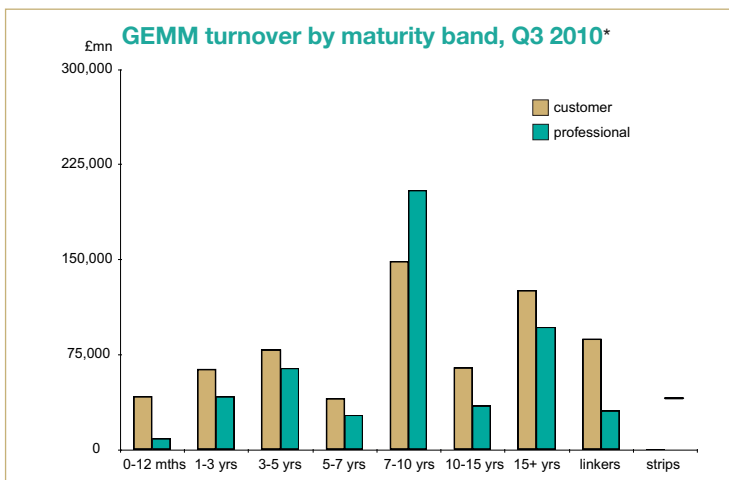
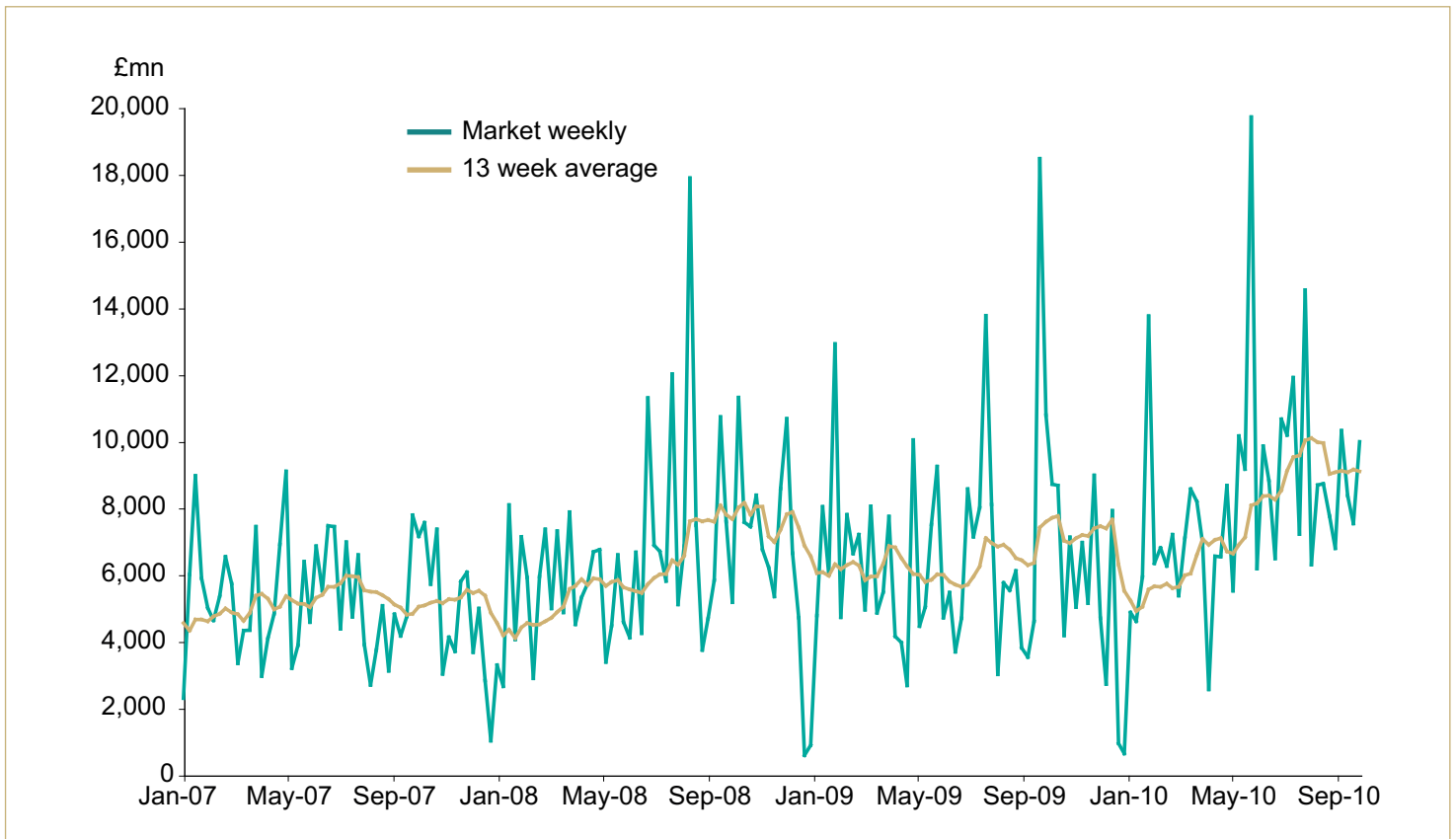
*Coupon flow numbers are for the stock of debt outstanding at end-quarter.

2009-10 and 2010-11 financing requirements

(£bn)	2009-10 (Outturn)	2010-11 March 2010 Budget	2010-11 June 2010 Budget
CGNCR forecast	198.9	166.4	146.1
Redemptions	16.6	38.6	38.6
Financing for the Bank's Asset Purchase Facility	-0.9	0.0	0.0
Financing for the Official Reserves	4.0	4.0	4.0
Debt buy-backs	0.4	0.0	0.1
Planned short-term financing adjustment	-0.6	-26.3	-26.3
Gross financing requirement	218.4	182.7	162.5
Less			
National Savings & Investments' contribution	1.6	0.0	0.0
Net financing requirement	216.8	182.7	162.5
Gilt sales planned during the year	227.6	185.2	165.0
Change in planned Treasury bill stock	19.4	-2.5	-2.5
Change in Ways and Means	-3.8	0.0	0.0
DMO net cash position at end of financial year	26.8	0.5	0.5

Figures may not sum due to rounding.

Index-linked gilt market turnover 2007-2010



*Professional Turnover is defined as turnover with counterparties who are Broker Dealers (BDLs), other Gilt-edged Market Makers (GEMMs), DMO or Bank of England. Customers are all others (including businesses with related entities).

Money market operations



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DMO Website: Useful Website Links

What's New

http://www.dmo.gov.uk/ceLogon.aspx?page=Press_New&rptcode=D8D

Events calendar

http://www.dmo.gov.uk/ceLogon.aspx?page=Events_Calendar&rptCode=D5J

Gilt market

Gilt prices page

www.dmo.gov.uk/index.aspx?page=Gilts/Daily_Prices

Gilts in issue

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Summary of results from all DMO gilt operations

http://www.dmo.gov.uk/ceLogon.aspx?page=Summary_of_results&rptCode=D2.1prof7

Cash sales versus the remit (updated after each operation)

http://www.dmo.gov.uk/ceLogon.aspx?page=Current_Remmit&rptCode=D4E

Gilt issuance history

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Overseas holdings data

http://www.dmo.gov.uk/ceLogon.aspx?page=Gilts/Overseas_Holdings&rptCode=D5N

Index-linked gilts

Published cash flows

http://www.dmo.gov.uk/ceLogon.aspx?page=Nominal_IL&rptCode=D5I

Daily index ratios

<http://www.dmo.gov.uk/ceLogon.aspx?page=D10C&rptcode=D10C>

Money Markets

Treasury bill prices

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Daily_Prices_Yields&rptCode=D3A

Summary of T-bill tender results

www.dmo.gov.uk/index.aspx?page=tbills/tbill_tenders

Treasury bill issuance history

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Portfolio_Composition&rptcode=D2.2G

Guarantee Schemes

<http://www.dmo.gov.uk/index.aspx?page=CGS/CGSIntro>

Key Documents

Historical copies of the Quarterly Review

www.dmo.gov.uk/index.aspx?page=publications/Quarterly_Reviews

Historical copies of the Annual Review

http://www.dmo.gov.uk/index.aspx?page=publications/Annual_Reviews

Operational Notice – Gilt market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot20091120.pdf&page=operational_rules/Document

Operational Notice – Cash market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot180210.pdf&page=money_markets/publication

Guidebook – GEMMs

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20091120.pdf&page=operational_rules/Document

Debt & Reserves Management Report 2010-11

http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmm1011.pdf&page=Remit/full_details

Gilt prospectuses

<http://www.dmo.gov.uk/ceLogon.aspx?page=Prospectuses&rptcode=D8E>

Formulae for Calculating Gilt Price from Yields

<http://www.dmo.gov.uk/documentview.aspx?docname=/giltsmarket/formulae/yldeqns.pdf&page=Gilts/Formulae>

Public Works Loan Board (PWLB)

<http://www.dmo.gov.uk/index.aspx?page=PWLB/Introduction>

BUDGET JUNE 2010: REVISION TO THE DMO FINANCING REMIT 2010-11

The DMO's 2010-11 financing remit was revised and re-published alongside the Budget on 22 June 2010. Planned gilt sales in 2010-11 were reduced by £20.2bn to £165.0bn as a consequence of the new Central Government Net Cash Requirement (CGNCR) forecast. Gilt sales were adjusted in a way that maintained the pre-existing proportionate split of issuance between maturities and types of gilt, set out when the outturns of the CGNCR for 2009-10 was published on 22 April 2010. No changes were made to the planned contribution to financing from (which remains a planned reduction in the T-bill stock of £2.5 billion by end-March 2011)

Debt issuance by the DMO

The DMO plans to raise £162.5 billion (revised downward from £182.7 billion) in 2010-11 split as follows:

- Gilt sales: £165.0 billion
- Net Treasury bill sales: -£2.5 billion

Planned gilt sales

The gilt sales target of 165.0 billion will be met through a combination of:

- £132.0 billion in 49 outright auctions;
- £26.0 billion planned via by a supplementary programme of syndicated offerings
- £7.0bn planned via in a supplementary series of gilt mini-tenders.

The gilt auction programme

Planned sales at auctions have been reduced by £14.0 billion to £132.0 billion. Three gilt auctions have been cancelled; one each of short-, medium- and long-dated conventional gilts, thereby reducing the number of planned gilt auctions in 2010-11 to 49. The gilt auctions that have been being cancelled are those previously scheduled for 13 October 2010, 2 December 2010 and 20 January 2011.

Supplementary distribution methods

Planned sales via supplementary distribution methods have been reduced by £6.2 billion to £32.0 billion – with planned sales via syndication falling by £3.2 billion and sales via mini-tenders falling by £3.0 billion to £7.0 billion. The DMO envisages holding up to eight syndicated offerings in 2010-11 (including syndications already held/announced). The DMO also envisaged that up to three mini-tenders may be cancelled. The mini-tender previously scheduled for week commencing 5 July was cancelled on 22 June.

Gilt sales split by type and operation

Planned gilt sales by type, maturity and issuance method are summarised below. The gilt sales plans set out in April are presented in brackets. The planning assumption is that supplementary issuance methods will be used exclusively to issue long-dated conventional and index-linked gilts. The DMO attaches priority to meeting the individual targets for the different types and maturities of gilt issuance presented above but the composition of issuance methods used to achieve these targets is a planning assumption. In particular, total financing achieved by supplementary methods (and the split between methods) will be dependent on market and demand conditions at the time transactions are conducted.

- £52.6bn (£59.0 billion) short-dated conventional gilts in 12 (13) auctions;
- £38.2bn (£42.9 billion) medium-dated conventional gilts in 11(12) auctions;
- £24.2bn (£26.7 billion) long-dated conventional gilts in 11(12) auctions;
- £16.2bn (£18.6 billion) long dated conventional gilts in a combination of syndicated offerings and mini-tenders;
- £17.0bn (£17.4 billion) index-linked gilts in 15 auctions
- £16.8bn (£20.6 billion) index-linked gilts in a combination of syndicated offerings and mini-tenders.

Interaction between the gilt auction and syndicated offering programmes

In order to facilitate the optimal sizing of syndicated offerings the DMO may, at the margin, add gilt auctions to the calendar as part of the quarterly issuance announcements, following consultation with market participants in the quarterly consultation meetings. In the event of an auction being added, existing auction dates may be adjusted in order to ensure regularity of issuance across each of the maturity areas/instrument types.

In order to facilitate the scheduling of a syndicated offering, the DMO may, if required, alter the timing of an existing gilt auction. An auction may be moved to another day in the week in which it was originally scheduled, to the previous week or to the following week. Any such changes may occur after the publication of the relevant quarterly issuance calendar, and would normally be announced alongside an announcement about the likely timing of a syndicated offering with a minimum of one week's notice of the rescheduled operation.

Decisions about the scheduling of mini-tenders later in the year will be made in due course in accordance with the DMO's normal schedule for announcements. Mini-tenders will generally be around half the size (in cash terms) of auctions of comparable bonds.

The DMO may add mini-tenders to the operations calendar with at least four week's notice, or it may remove them with a minimum of one week's notice.

Post-auction option facility (PAOF)

The PAOF will continue to be available with successful bidders at auctions having the option to purchase additional stock of up to 10% of the amount allocated to them at the auction. The option to buy (at the average accepted price for conventional gilt and at the strike price at index-linked gilt auctions) will be open from 12 noon to 2pm on the day of an auction.

The proceeds from the PAOF will count towards the achievement of remit sales targets (proceeds raised between 7 April and 17 June totalled £2.5bn), but will be separately identified from amounts raised at auctions themselves, and sums raised via the PAOF will not be included in the calculation of required average auction sizes in the period before any re-statement of the financing requirement.

At any re-statement of the financing requirement the proceeds from PAOF to that date will be factored into the financing arithmetic, and all other factors constant, the proceeds may be used to reduce auction sizes (or to reduce the number of required operations). Any use of the PAOF in this way would be communicated as part of a DMO announcement of any future remit revision.

At any future restatement of the financing requirement an assumption will be made that proceeds from PAOF will continue to accrue for the remainder of the auction programme in the same proportion per type and maturity of operation as before the restatement and these amounts will be factored into the required average auction sizes to the end of the financial year. In the event that the degree to which the PAOF is taken up after any restatement is different from that assumption, and this difference is not accommodated in the supplementary issuance programme, then the outturn will be reflected in changes to the end-year Treasury bill stock and/or the DMO's net cash position.

Treasury bill sales

No changes are being made to planned net Treasury bill sales in 2010-11. The planned assumption remains that the Treasury bill stock will fall by £2.5bn in 2010-11 leaving the end-March 2011 stock at £60.8 billion.

Illustrative financing projections

The June Budget included new forecasts for the CGNCR from 2011-12 to 2014-15. The table below shows the new illustrative gross financing projections from 2011-12 to 2014-15 using updated projections of the CGNCR together with the latest estimate of gilt redemptions in these years. These are not gilt sales forecasts and, in particular, make no assumption about any contribution to financing from National Savings & Investments (NS&I) and the sales of Treasury bills.

Illustrative gross financing projections (£bn)

	2011-12	2012-13	2013-14	2014-15
CGNCR projections	121	90	65	35
Gilt redemptions	49	53	47	52
Gross financing requirement	170	143	112	87
CGNCR change since March 2010 Budget	-17	-21	-29	-39
Redemption change since March 2010 Budget	0	4	0	9

Figures may not sum due to rounding.