

**AGENDA FOR THE CONSULTATION MEETINGS WITH END INVESTORS (3.30PM)
AND GEMMs (5.00pm) ON MONDAY 13 OCTOBER 2008 at:**

EASTCHEAP COURT, 11 PHILPOT LANE, LONDON EC3M 8UD

A. Bank re-capitalisation: revision to the DMO's financing remit

1. Rationale for the revision to the DMO's financing remit. The revision to the DMO's financing remit has been announced as a result of the Government's commitment to establish a facility that will make available Tier 1 capital in appropriate form to eligible institutions. The remit revision takes no account of any changes to the Government's forecasts of the public finances that will be published in the Pre-Budget Report (PBR).
2. Rationale for consultation with market participants. In order to ensure the success of the programme of additional gilt sales that will be necessary to finance the facility, the DMO is seeking input from market participants via a consultation meeting on all aspects of the design of the programme prior to making a firm announcement about the details of the programme. The active participation of the GEMMs and end-investors in this additional programme of gilt issuance is essential to its success.
3. Size of the additional issuance. The programme will be designed to raise an additional £37 billion on top of existing issuance plans through issuance of a combination of gilts and cash instruments. The relative amounts of gilts and cash instruments issued will be decided following consultation with gilt market participants.

B. Choice of gilt issuance under the new programme

4. The DMO seeks views on the overall amount of gilt issuance that should take place under the programme.
5. The DMO is minded to open one new short-dated benchmark gilt and seeks views on the maturity of that benchmark and the minimum timeframe over which that gilt could be built to benchmark size.
6. The DMO also seeks views on the feasibility of opening any other new benchmark gilt under the programme.
7. The DMO seeks views on which existing gilts could be re-opened under the programme bearing in mind that the DMO aims to raise an additional £37 billion overall.

C. Auction scheduling and auction sizes

8. The DMO will protect the auction of 4½% Treasury Gilt 2013 on 16 October by avoiding issuance of a 5-year gilt as the first new auction of the programme.
9. The DMO anticipates scheduling additional gilt auctions in the period from week commencing 20 October until end-December. In order to maximise the degree of predictability in gilt issuance the DMO commits not to schedule any further gilt auctions in Q3 financial year 2008-09 in the event of a further revision to financing at PBR.
10. In order to determine the schedule for a number of additional auctions in the remainder of Q3 financial year 2008-09 the DMO will be seeking views on:
 - (i) the merits of holding a smaller number of larger auctions versus a larger number of smaller auctions;

- (ii) the minimum period that should be allowed between auctions of the same gilt; and
- (iii) the sequencing of auctions.

11. The DMO also seeks views on the merits of holding two auctions on one day.

D. Other suggestions

12. The DMO would also be pleased to hear any other suggestions that market participants believe would also facilitate the success of the programme, including the possibility of distribution via methods other than auction (e.g. mini-tenders, OTC sales etc.).

E. Operational Notice and Information Memorandum

13. The additional financing programme is likely to require scheduling of gilt auctions at shorter intervals than has normally been the case. That could have implications for certain aspects of the Operational Notice and Information Memorandum. In particular a shorter purdah period than set out in the Operational Notice would be required in the event of an uncovered auction.

F. Next steps

14. Bilateral dialogue. If any market participants are unable to attend today's consultation meetings and have views about the programme that they wish to make known to the DMO, they should contact either the DMO's gilt dealers or any other usual contact at the DMO.

15. Revised gilt auction calendar. The revised gilt auction calendar for the remainder of financial year 2008-09 Q3 will be published at 3:30pm on Tuesday 14 October.

G. Further consultation with gilt market participants

16. Further consultation in advance of PBR. The DMO will hold a further consultation meeting with gilt market participants in advance of the PBR. The purposes of that meeting will be to seek feedback on how the new gilt financing programme is progressing with the intention to inform decisions about any changes to the quantum of gilt issuance that may be required following publication of the PBR. The meeting may be scheduled at short notice depending how much advance notice is publicly given of PBR timing.

17. Quarterly consultation meeting on Q4 issuance. The quarterly consultation meetings seeking views on issuance in Q4 will be held as normal. The timing of those meetings remains subject to the timing of the PBR.

H. Any other business