Minutes of meeting with gilt investors in Scotland on 15 January 2010

The Financial Services Secretary to the Treasury and officials from the DMO met representatives of Scottish-based gilt investors in Edinburgh on 15 January 2010. The meeting complemented those which took place at HM Treasury, in London, on 11 January 2010 and was held primarily to allow investors based in Scotland to give their views on the structure of the DMO's financing remit for 2010-11. On the basis of the Pre-Budget Report 2009 projection for the Central Government Net Cash Requirement (CGNCR) in 2010-11 of £174 billion and gilt redemptions of £39 billion, the illustrative gross financing projection for 2010-11 is currently £213 billion (compared to £242.4 billion in the current financial year). In discussion, the following main points emerged.

Attendees generally felt that the structure of the remit in 2009-10 had worked well and should be built on to help deliver the financing requirement in 2010-11. In particular, the use of syndicated offerings was seen as having been successful in providing more of the types of instrument that were sought after by those investors with a preference for (long-dated) index-linked gilts. Those present advised that sales of index-linked gilts should be increased next financial year and that syndicated offers currently looked to be the most practical way of achieving this (although some advised that the size of index-linked gilt auctions could also be increased).

As the financing requirement was likely to remain challenging it was suggested by some of those present that the DMO and HM Treasury should consider ways of providing additional flexibility in delivering the remit for 2010-11 (and beyond) to give the DMO more room to react to changing market circumstances. In this context, it was noted that syndicated offers themselves offered a greater degree of operational flexibility than, for example, the main auction programme. Moreover, in the view of some of those present, syndications also offered a way of mitigating execution risk.

Some also suggested that the DMO consider holding dual stock auctions to better test market demand for particular maturities at the point of sale and the DMO was also advised not to ignore issuance at the 20-year part of the curve.