



# United Kingdom Debt Management Office

## **GEMM Guidebook**

A guide to the roles of the DMO and  
Primary Dealers (GEMMs) in the UK  
government bond market

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# Executive Summary

## GEMM Criteria, Obligations and Privileges

The following are the general criteria, obligations and privileges for the United Kingdom Debt Management Office's (DMO's) approved primary dealers in the UK sterling government bond market, which are known as Gilt-edged Market Makers (GEMMs). There are three tiers of GEMMs: Wholesale GEMMs, Associate GEMMs and Retail GEMMs. GEMMs may offer services to wholesale and/or retail sectors of the investor base and specialise in conventional gilts (including green gilts), index-linked gilts or both. The following criteria, obligations and privileges apply to all tiers of GEMMs unless otherwise specified.

## Essential Criteria for all GEMMs

To become and maintain their status as a GEMM, firms must demonstrate to the DMO's satisfaction that they meet the following criteria:

1. **Demonstrated long-term commitment** to the UK government bond market.
2. **A viable business plan**, bringing sustainable value to the gilt market. Firms should look to meet existing market demand and to widen the investor base for gilts where appropriate.
3. **Sufficient balance sheet capability** to support market making activity in the gilt market.
4. **A credit standing** indicative of their long-term viability as a GEMM in the gilt market.
5. **Adequate staffing resources at all times**, including trading, sales, research, risk management, settlement and compliance professionals. Key staff risk should be appropriately managed.
6. **Relevant technological capabilities**, including being in a position to settle gilt transactions in CREST.
7. **GEMMs must:**
  - (i) either:
    - a. be incorporated in the UK and either
      - 1) authorised by the Prudential Regulation Authority (PRA); or
      - 2) if the DMO deems it appropriate based on the nature of the business and customer base of the firm, the GEMM tier to which a firm is categorised, the specific activities and product types to which any authorisation relates and any other factors that the DMO deems relevant, authorised by the Financial Conduct Authority (FCA); or
    - b. if the DMO deems it appropriate based on any factors that the DMO deems relevant, (1) be incorporated outside the UK, (2) be authorised by the PRA and any relevant local regulator with powers and duties that include ones equivalent to those of the PRA in, and hold any other equivalent and appropriate licences, registrations, approvals and permissions under the laws of, other jurisdictions with prudential and financial services regulatory regimes equivalent to the UK (equivalence in each case as determined by the DMO in its sole discretion), and (3) carry out its activities as a GEMM through a UK branch;
  - (ii) have permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA) to carry on the regulated activity of dealing in investments as principal and have such other approvals and permissions as may be required to carry out the activities of a GEMM; and

- (iii) be registered as a market maker with a Relevant Exchange (as defined below),  
in each case unless otherwise determined by the DMO in its sole discretion.

GEMMs must provide the DMO with written approval or confirmation of non-objection from these bodies to undertake activities as a GEMM.

In this document Relevant Exchange refers to a regulated market on which gilts are listed with the consent of the DMO (currently, gilts are listed on the London Stock Exchange's main market with the consent of the DMO).

**8. A willingness to sign up to, and a capability to abide by, all of the DMO's requirements and expectations and must abide by these at all times.**

The DMO may also evaluate any firm applying to join the GEMM group based on the information provided in its application form or otherwise available to the DMO (including but not limited to information related to its corporate structure, business plan, operational resilience and reputational and compliance matters). The DMO may request any other information it deems appropriate from time to time. The determination of whether a firm meets, and is continuing to meet, the DMO's requirements is solely at the discretion of the DMO.

## **GEMM Obligations and Expectations**

Firms recognised by the DMO as GEMMs agree to meet a number of obligations on a continuous basis. The obligations are as follows:

### *A. Participation in primary issuance*

1. GEMMs are expected to play an active role in the issuance, distribution and marketing of UK government debt.
2. Each Wholesale GEMM should aim to purchase at least 2.0% of gilt issuance by sector, conventional and index-linked, on a six-month rolling average basis, or, in the case of Associate GEMMs and Retail GEMMs, to achieve an acceptable level of participation pre-agreed with the DMO.
3. Wholesale GEMMs are expected to participate in every operation for which they are a designated market maker. GEMMs must aim to participate effectively in the price formation process at auctions: it is envisaged that each Wholesale GEMM's bids would amount to the equivalent of at least 5.0% of the amounts issued, calculated on a six-month rolling average basis.

### *B. Market making*

1. GEMMs are committed to make, on demand and in all conditions, continuous and effective two-way prices to their clients, in all gilts for which they are recognised as a market maker.
2. Each Wholesale GEMM must aim to achieve and maintain an individual secondary market share of at least 2.0% on a 6-month rolling average basis, in the sectors for which they are a recognised market maker or, in the case of Associate GEMMs and Retail GEMMs, an acceptable level of participation pre-agreed with the DMO.
3. GEMMs are expected, in accordance with good trading practice, to contribute to the maintenance of liquidity and price transparency in the gilt market and to refrain from implementing any trading strategy in the gilt market that would be reasonably expected to have a negative effect on the functioning of the gilt market and/or the conditions for open, fair and undistorted competition.

### *C. Provision of data and information to the DMO and investors*

1. GEMMs are required to provide the DMO with data in a pre-specified format relating to positions and weekly turnover. The DMO also expects GEMMs to provide real-time prices or accurate mid-market indications to at least one wire services provider and/or electronic trading platform.
2. GEMMs must install and maintain any designated IT and telecommunications links with the DMO.
3. GEMMs are actively encouraged to provide market intelligence to the DMO and are required to respond promptly with due consideration to market consultations and/or requests for information.

## **GEMM Privileges**

In return for undertaking the obligations detailed above, GEMMs are entitled to certain privileges in the gilt market, as follows:

### *A. Auction bidding*

1. **GEMMs are the only institutions eligible to submit competitive bids directly to the DMO.**
2. **Wholesale GEMMs are entitled to a share of a non-competitive allowance of 15% of the total amount of gilts on offer at auctions, defined as:**
  - a. a pro-rata share at the average accepted price for conventional auctions; or
  - b. a performance-related share at the strike price for index-linked auctions, determined by performance at the previous three index-linked auctions.

### *B. Preferred counterparty status*

1. **When dealing in the gilt-edged secondary market for debt management purposes, the DMO will only deal with GEMMs<sup>1</sup>.**
2. **Only Wholesale GEMMs are normally invited to become members of any lead management group for syndicated offers<sup>2</sup>.**
3. **GEMMs have the right to strip and reconstitute gilts through CREST.**
4. **GEMMs are exclusively eligible to be considered for participation in DMO standing repo operations, provided that they have signed the relevant legal documentation.**

### *C. Other privileges*

1. **GEMMs are invited, and expected, to participate in annual and quarterly consultation meetings.**
2. **GEMMs have access to the services of acknowledged Inter-Dealer Brokers (IDBs).**

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<sup>1</sup> Except that the DMO may also deal with Inter-Dealer Brokers in transacting in near maturity gilts for cash management reasons.

<sup>2</sup> This privilege is not usually conferred on either Wholesale GEMMs on probation, Associate GEMMs or Retail GEMMs.

# 1. Gilt-edged Market Makers

## 1.1 Introduction

1. This Guidebook sets out the DMO's relationship with, and expectations of, its primary dealer firms, the GEMMs. It updates and replaces all previous versions of this document, the most recent of which was published on 18 October 2024, and comes into effect on 31 July 2025. Please note that the DMO has separate arrangements and counterparty relationships for the execution of its cash management operations.
2. Whilst the DMO has endeavoured to ensure the accuracy of this document and details are believed to be accurate at the time of publication, the DMO accepts no responsibility for any omissions or errors relating to market practices or regulations and market participants should undertake their own due diligence.
3. Details about the DMO's dealing and auction procedures are set out in the DMO's gilt market Operational Notice<sup>3</sup>. That publication should be read in conjunction with this Guidebook.
4. Any questions or requests for further information regarding the content of this document should be addressed to Gilt Desk, UK Debt Management Office, The Minster Building, 21 Mincing Lane, London, EC3R 7AG, telephone number +44 (0)20 7862 6517 or email [markets@dmo.gov.uk](mailto:markets@dmo.gov.uk).

## 1.2 Background and Essential Criteria for GEMMs

5. To become, and maintain their status as a GEMM, firms must demonstrate to the DMO's satisfaction that they meet the criteria set out in this Guidebook. The criteria and requirements are subject to change at the DMO's sole discretion. Any request to become a GEMM will be considered in light of the criteria that exist when the DMO considers an application (and not at the point at which the application is received).
6. GEMMs may offer services to wholesale and/or retail sectors of the investor base, and specialise in conventional gilts (including green gilts), index-linked gilts or both. References to conventional gilts include any green gilts with a fixed-rate coupon and a fixed maturity with redemption at par.
7. GEMMs are also invited to be designated as a STRIPS<sup>4</sup> Market Participant, which means that they will be prepared to offer a service in STRIPS to gilt investors<sup>5</sup>.
8. GEMMs must:
  - (i) either:
    - a. be incorporated in the UK and either
      - 1) authorised by the Prudential Regulation Authority (PRA); or
      - 2) if the DMO deems it appropriate based on the nature of the business and customer base of the firm, the GEMM tier to which a firm is

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<sup>3</sup> Both this GEMM Guidebook and the gilt market Operational Notice can be found on the DMO website at [www.dmo.gov.uk](http://www.dmo.gov.uk).

<sup>4</sup> A reference to strips or a strip is a reference to Separately Traded Registered Interest and Principal Securities (STRIPS). See the latest version of the Information Memorandum, Issue, Stripping and Reconstitution of British Government Stock, available on the DMO website.

<sup>5</sup> GEMMs, as well as the DMO and the Bank of England, are the only institutions permitted to strip and reconstitute gilts. STRIPS may only be held or transferred within CREST.

categorised, the specific activities and product types to which any authorisation relates and any other factors that the DMO deems relevant, authorised by the Financial Conduct Authority (FCA); or

- b. if the DMO deems it appropriate based on any factors that the DMO deems relevant, (1) be incorporated outside the UK, (2) be authorised by the PRA and any relevant local regulator with powers and duties that include ones equivalent to those of the PRA in, and hold any other equivalent and appropriate licences, registrations, approvals and permissions under the laws of, other jurisdictions with prudential and financial services regulatory regimes equivalent to the UK (equivalence in each case as determined by the DMO in its sole discretion), and (3) carry out its activities as a GEMM through a UK branch;
  - (ii) have permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA) to carry on the regulated activity of dealing in investments as principal and have such other approvals and permissions as may be required to carry out the activities of a GEMM; and
  - (iii) be registered as a market maker with a Relevant Exchange,
- in each case unless otherwise determined by the DMO in its sole discretion.

9. GEMMs must provide the DMO with written approval or confirmation of non-objection from the relevant regulatory authorities and the Relevant Exchange, as referred to in paragraph 8 above, to undertake activities as a GEMM.

10. The DMO is not a regulatory authority. Regulatory responsibility in the United Kingdom for the firms that participate in the gilt market falls to the FCA, the PRA and other relevant regulatory and enforcement authorities (and, in other jurisdictions, may fall to other regulatory and enforcement authorities). All GEMMs must abide by, and are responsible for ensuring compliance with, all legal and regulatory restrictions and obligations applicable to them in all relevant jurisdictions.

11. GEMMs must also demonstrate a long-term commitment to the UK government bond market and have a viable business plan, bringing sustainable value to the gilt market. Firms should look to meet existing market demand and seek to broaden the investor base for gilts, where appropriate.

12. GEMMs must have sufficient balance sheet capability to support activity in the gilt market and a credit standing indicative of their long-term viability in the gilt market.

13. GEMMs must also have adequate staffing resources at all times, including trading, sales, research, risk management, settlement and compliance professionals. Key staff risk should be appropriately managed.

14. GEMMs must have relevant technological capabilities, including being in a position to settle gilt transactions in CREST, operated by Euroclear UK & International Limited.

15. GEMMs must also demonstrate a willingness to sign up to, and a capability to abide by, all of the DMO's requirements and expectations and must abide by these at all times.

16. The DMO may also evaluate each firm based on the information provided in its application form or otherwise available (including, but not limited to, information related to its corporate structure, business plan, operational resilience and reputational and compliance matters), any updates the DMO may request and any additional information in these areas or otherwise that the DMO may deem appropriate from time to time.



17. GEMMs must also satisfy certain other obligations, described below, in order to be granted and maintain primary dealer status with the DMO. The determination of whether a firm meets the DMO's requirements is solely at the discretion of the DMO.

### **1.3 Definition of a GEMM**

18. The DMO defines a GEMM as a bank or securities firm that has committed to the requirements of each of the DMO and any Relevant Exchange and has been formally recognised as such by the DMO.

19. A distinction is made between three different tiers of GEMM firms: Wholesale GEMMs, Associate GEMMs and Retail GEMMs in terms of title, privileges and obligations, according to that GEMM's target investor client base, business model and as agreed with the DMO. Unless otherwise identified, all references to GEMM(s) in this document refer to all of the three tiers of primary dealer in the UK.

20. As the requirements apply only to sterling-denominated UK government bonds, the appropriate head of department at each firm should discuss and agree with the DMO which members of its trading and support staff are to be classified as part of the GEMM. The DMO recognises that different firms may have differing organisational and reporting structures for sterling rates trading, but it will aim to ensure as much equivalence as possible between GEMMs, in order to maintain a uniform level of access rights and obligations of dealers in the gilt market, and the reporting and assessment of turnover, market shares and overall performance as a GEMM.

21. In the interests of fairness and transparency, the DMO endeavours to treat GEMMs, within their respective tiers, as equals in its dealings. The DMO will, however, make distinctions between Wholesale GEMMs, Associate GEMMs and Retail GEMMs.

### **1.4 GEMM Obligations and Privileges**

#### **A. GEMM obligations**

22. Firms recognised by the DMO as GEMMs agree to meet a number of obligations on a continuous basis. These obligations are to ensure that GEMMs provide appropriate support to the primary issuance of government debt and contribute to the liquidity of the secondary market. The DMO expects management and compliance departments at GEMMs to be aware of these obligations and to ensure that they are adhered to in a robust and proper manner. The DMO expects periodic written assurances from GEMMs with regard to their compliance with the DMO's requirements and with applicable laws and regulations and that appropriate systems and procedures are in place to meet these obligations. The obligations are as follows:

##### *i) Participation in primary issuance*

23. GEMMs enjoy the privilege of being able to bid directly to the DMO in gilt auctions, and, as such, are expected to play an active role in the issuance, distribution and marketing of gilts. GEMMs are invited, and expected, to participate in annual and quarterly consultation meetings and all are expected to participate in a meaningful way in the auction process itself.

24. It is the DMO's view that it is not appropriate to set minimum bidding or allocation targets for individual GEMMs at every auction. Nevertheless, the DMO sees it as an essential role of GEMMs to be actively involved in the distribution of issuance in the sectors in which they are designated as a GEMM. To this end, Wholesale GEMMs should participate in every auction of gilts for which they are a market maker and each Wholesale GEMM should aim to purchase at least 2.0% of such amount issued, on a six-month rolling average basis. The DMO also sees it

as important to encourage Wholesale GEMMs to participate effectively in the price formation process at auctions, to which end it envisages that each Wholesale GEMM's bids would be the equivalent of at least 5.0% of the amounts issued, measured on a six-month rolling average basis. The DMO's expectations for auction participation by Associate GEMMs and Retail GEMMs will be agreed on a bilateral basis.

25. Bidding at the DMO's auctions is subject to confidentiality restrictions set out in the Gilt Market Operational Notice. The DMO also places requirements on GEMMs facilitating client orders in gilt auctions. GEMMs are also reminded that information about trading interests, bids/offers or transactions may be subject to strict confidentiality obligations or other legal restrictions on disclosure pursuant to relevant laws and regulations (including competition law). Improper disclosure or collusive behaviour will not be tolerated, and evidence or allegations of such behaviour will be escalated to the appropriate authority or authorities.

26. Disclosure of information to the DMO will not discharge any obligation or duty of a GEMM to comply with any obligation in this document or under any laws or regulations.

#### *ii) Market making*

27. GEMMs are committed to make, on demand and in all conditions, continuous and effective bid and offer prices to their clients in all gilts in which they are recognised as a market maker. The purpose of this obligation is to ensure that GEMMs provide a continuous pricing service and liquidity to all other market participants. However, GEMMs are not obliged to make prices to clients with whom they have not yet conducted due diligence enquiries.

28. GEMMs have no obligation to quote prices to other GEMMs, and price provision to IDBs is discretionary, as is the provision of prices to an agency firm or electronic platform dealing on behalf of a third party, where that party is identified as (likely to be) another GEMM desk.

29. GEMMs are expected to make prices at all times between the hours of 8:00am and 5:00pm (UK time) on UK business days. For these purposes, 'business day' means any day which is not a Saturday or Sunday, Good Friday, Christmas Day, or a day which is a bank holiday in England and Wales under the Banking and Financial Dealings Act 1971. On certain occasions (e.g. Christmas Eve and New Year's Eve) the trading day may be shortened, depending on the opening hours of Relevant Exchanges. In addition, the DMO deems it reasonable for market making obligations to be suspended (for one or two minutes) over the release of key economic news or data.

30. GEMMs may commit to making markets in conventional gilts (including green gilts), index-linked gilts or in both. They are expected to achieve and maintain a market presence sufficient to earn them an appropriate share of secondary market turnover. The DMO would expect all Wholesale GEMMs to aim to achieve and maintain an individual share of at least 2.0% in conventional gilts and/or in the index-linked sector (as appropriate), on a six-month rolling average basis. Turnover expectations for Associate GEMMs and Retail GEMMs will be agreed on a bilateral basis. GEMMs may also apply for additional designation as a Strips Market Participant, where they are committed to making prices to clients in STRIPS.

#### *iii) Provision of data and information to the DMO*

31. GEMMs are obliged to provide the DMO with data in a pre-specified format relating to positions and weekly turnover, in order that the DMO can monitor that GEMMs are fulfilling obligations. The DMO also expects GEMMs to provide real-time prices or accurate mid-market indications to at least one wire services provider and/or electronic trading platform. The DMO publishes aggregated turnover data on its website.

32. GEMMs and acknowledged IDBs must install and maintain designated IT (including Bloomberg) and telecommunications links with the DMO. These are used by GEMMs for position and turnover reporting, bidding at auctions, secondary market dealing and provision of other market information, and by IDBs for reporting secondary market price and turnover information. GEMMs and IDBs must also be in a position to settle gilt transactions through CREST.

33. GEMMs and IDBs are also encouraged to provide oral and/or written market intelligence to the DMO concerning corporate developments, market movements and investor trends, and to respond promptly with due consideration to any market consultation exercises.

#### *iv) Other obligations*

34. GEMMs are expected, in accordance with good trading practice, to contribute to the maintenance of liquidity and price transparency in the gilt market and to refrain from implementing any trading strategy in the gilt market that would be reasonably expected to have a negative effect on the functioning of the gilt market and/or the conditions for open, fair and undistorted competition.

35. GEMMs must have appropriate contingency planning in place to ensure operational resilience at all times.

### **B. GEMM privileges**

36. In return for undertaking the obligations detailed above, GEMMs are entitled to certain privileges in the gilt market, as follows:

#### *i) Auction bidding*

37. GEMMs enjoy the privilege of being eligible to submit competitive bids directly to the DMO. This means that all other market participants wishing to submit a competitive bid at a gilt auction must route their order(s) through one or more GEMMs. Any client order submitted by a GEMM must be identified as such.

38. Wholesale GEMMs are each entitled to a share of a non-competitive allowance of 15% of the total amount of the gilts on offer at an auction. If applied for, these gilts are allocated at the average accepted price of successful competitive bids in conventional gilt auctions, and at the single strike price in index-linked gilt auctions. In conventional gilt auctions, the 15% allowance is split pro-rata amongst all Wholesale GEMMs, while, for index-linked gilt auctions, individual Wholesale GEMM shares of the allowance are determined by reference to that Wholesale GEMM's successful competitive bidding results in the three previous index-linked gilt auctions.

#### *ii) Preferred counterparty status*

39. In almost all of its gilt market operations, the DMO transacts only with the GEMMs. This includes the receipt and allocation of (successful) auction bids, as well as any regular dealing or special operations that it might conduct in the secondary market for debt management purposes.

40. With the exception of transactions in near maturity gilts, when dealing in the secondary market for gilts for debt management purposes, the DMO will only deal with GEMMs. The DMO may be active in the secondary market for debt management purposes in a number of areas – for example, executing transactions for the purpose of the DMO's gilt purchase and sale service administered through Computershare Investor Services<sup>6</sup> or various government funds managed by the CRND<sup>7</sup> and others, and smoothing redemption cash flows through the purchase of near maturity gilts. In the latter case only, the DMO may also deal with IDBs.

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<sup>6</sup> This service is operated for members of the DMO's Approved Group of Investors.

<sup>7</sup> Commissioners for the Reduction of the National Debt.

41. In selecting lead and co-lead managers for syndicated issues of gilts, the DMO will generally only consider Wholesale GEMMs<sup>8</sup> for membership of the lead manager group.

42. Additional dealing privileges associated with GEMM status include the right to strip and reconstitute gilts through CREST and, provided that the relevant documentation has been satisfactorily completed and agreed with the DMO, GEMMs are eligible to participate in DMO standing repo operations.

*iii) Other privileges*

43. As stated above, GEMMs have access to the services of acknowledged IDBs, which enables them to unwind or acquire positions in gilts or gilt-related products anonymously with their peers.

44. GEMMs are automatically invited to send a representative to the DMO's quarterly and annual consultation meetings.

**C. Rules of Relevant Exchanges and regulatory authorities**

45. The DMO's obligations and privileges operate in parallel with any Relevant Exchange's rulebook, which may set out its own requirements for market makers and/or IDBs as members of that exchange. GEMMs (firms and individuals) will also be subject to legal and regulatory requirements in respect of their dealing and trading functions, the transactions they enter into and their relationship with the DMO, and it is their responsibility to abide by these laws and regulations in all relevant jurisdictions at all times. IDBs will also be subject to legal and regulatory requirements and it is each IDB's responsibility to comply with all applicable laws, rules and regulations in the relevant jurisdictions at all times.

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<sup>8</sup> Excluding Wholesale GEMMs on probation.

## 2. Data Provision

### 2.1 Data Provision by the GEMMs

46. GEMMs are required to provide the DMO with certain information in a prescribed format and to a prescribed timetable as detailed in the paragraphs below.

47. In addition, GEMMs are strongly encouraged to provide comprehensive and accurate real-time price information to their client bases, either through proprietary dealer-to-customer platforms, wire services or multi-dealer electronic trading platforms or exchanges. The DMO expects GEMMs to provide real-time prices or accurate mid-market indications to at least one wire services provider and/or electronic trading platform. The DMO would expect to be treated as a GEMM's client in respect of being granted access to the provision of such prices, even if this is on a view-only basis.

#### A. GemmData SFTPs

48. The DMO uses electronic file transfers for the provision of positions and weekly turnover reports. Data are transferred over a secure file transfer protocol (SFTP) system known as GemmData. GEMMs (and IDBs) must install and maintain/upgrade their systems in order to be able to transmit sensitive data in a secure, accurate and timely fashion, in the prescribed format.

49. Each GEMM and IDB will be provided with instructions for accessing the system. Staff transmitting the data should always ensure that they are using the most up-to-date version of the software and that they send the correct file by the specified time deadline. Files are acknowledged as received by the DMO, before being scanned for formatting/content errors. Any errors found will generate an error message, which is sent back to the GEMM's chosen email address(es). Any such error messages should be heeded and acted upon in a timely manner and, where necessary, a corrected file re-transmitted as soon as possible.

50. Whilst the DMO's system can screen for errors in the formatting and, to a certain extent, the content of these files, it is the responsibility of each GEMM and IDB to ensure that the transmission of their files is (a) timely, (b) comprehensive, and (c) wholly accurate. Any errors or omissions will affect the integrity of the data in the system.

51. Any queries regarding operation of the SFTP reporting system should be addressed to the DMO's Gilt desk. A document detailing the exact formatting of GEMM files is attached at Annex B of this publication.

#### B. Positions data

52. GEMMs are required to submit a daily file to the DMO, giving details of all the end-of-day positions held by the GEMM in gilts, including STRIPS. The DMO will use only aggregated data where relevant to inform its issuance decisions and/or terms of any special repo facilities. The DMO protects such data as commercially confidential but reserves the right to share them with regulators and other governmental and enforcement authorities at the DMO's sole discretion.

53. A GEMM's daily position file should also provide details of any trades over a specified minimum size that have failed on that day, or that are still outstanding as unsettled from a previous fail. These data will also be treated as commercially confidential by the DMO but may be shared with regulators and other market authorities at the DMO's sole discretion.

54. These files may be submitted to the DMO, in the designated format and using designated channels, any time between 5:00pm on each trading day and 9:00am on the following business day.

### **C. Turnover data**

55. On a weekly basis, each GEMM is required to submit an aggregated summary of gross turnover in gilts executed by it and the consolidated group of which it forms a part during the Monday to Friday period of the previous week. These files must be submitted by 9:00am on the Tuesday of the following week (or 9:00am on the second business day of a week where there is a Bank Holiday on the relevant Monday and any consecutive days), in the designated format and using designated channels. This file must be dated with the Friday of the week to which it relates, regardless of whether or not that Friday was a Bank Holiday (e.g. Good Friday).

56. GEMM turnover files are to be reported by ISIN code and prescribed counterparty types, details of which can be found at Annex B of this document. Note that turnover volumes are to be reported both in nominal terms and by market value (i.e. nominal amount multiplied by the dirty price/100).

57. In order to maintain the accuracy and integrity of the data, it is essential that GEMMs maintain their systems constantly, in terms of sifting the relevant data, counterparty classifications, stock lists and valuations. This means, for example, that each GEMM's systems must be able to collect and collate each week's turnover data and correctly identify which trades are allocated to which counterparty type. It is the responsibility of individual GEMMs to ensure that they are complying with these requirements.

### **D. Auction day and syndication trade reports**

58. On the day of a gilt auction, conventional or index-linked, GEMMs are required to provide details of transactions over a designated minimum size<sup>9</sup> executed on the day of each auction. These details should be submitted by email to the DMO by 9:00am on the morning after each auction, on the template form provided. The DMO may also request that GEMMs involved in a syndicated gilt offering – lead managers and/or co-lead managers – submit similar reports over a specified period and in specified gilts, in a given template form.

### **E. Data Sharing**

59. The DMO requests these data for its own analytical purposes. The DMO will treat all such submissions as commercially confidential to the fullest extent permitted by law but reserves the right to share them with regulators and other governmental and enforcement authorities. Responsibility for compliance monitoring of a GEMM's activity at or around auctions and other operations remains with the GEMM itself and its regulator.

## **2.2 Data Provision by the DMO**

### **A. Weekly turnover and market shares**

60. Turnover data submitted by the GEMMs to the DMO are collected and collated on a weekly basis. From the data received, the DMO calculates total aggregate turnover volumes in the various maturity bands, types of gilt and on an overall basis, making a distinction between counterparties regarded as professional and those regarded as customers.

61. The DMO defines GEMMs' professional counterparties as the DMO itself, the Bank of England, any other GEMM or IDB and any agency broker acting as an agent for a third party,

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<sup>9</sup> These amounts vary according to the nature of the gilt being auctioned and amount already in issue.

regardless of whether or not that agent is dealing as a matched principal or on a name-give-up basis. All other counterparties (i.e. those dealing directly with GEMMs for their own account) are regarded as customers. Turnover generated on electronic dealing platforms counts as professional, where the trades are booked to a central counterparty or another GEMM, but as customer business where resultant trades are booked directly with the gilt investor. Both these groups may be further split into more granular sub-groups. The DMO also calculates individual GEMM market shares in the various maturity bands, types of gilt and on an overall basis, again making a distinction between different counterparty types. The DMO regards the provision of liquidity to a broad group of stakeholders and across the yield curve as a means of enhancing price discovery and market efficiency.

62. Market share data are collated by the DMO on a weekly basis, normally on a Tuesday, assuming that all contributions have been received on a timely basis. Outputs from DMO systems are checked by the DMO before being released for publication to GEMMs. These checks may involve DMO dealers querying or verifying any unusual data with relevant GEMM dealers. Any GEMM wishing to query or verify the output should contact the DMO immediately upon receipt of its file. Aggregated, but non-specific, data output may also be published to the wider market for information purposes.

## **B. Quarterly turnover**

63. Weekly turnover files and data, submitted to the DMO by GEMMs, are also used for the aggregation and production of quarterly turnover and market share data, which may be published to individual GEMMs and, on an aggregated basis, to the wider market on the DMO website. Note that these data cover only those transactions conducted by GEMMs and are, therefore, not wholly comprehensive in terms of turnover in the entire gilt market. Nevertheless, they should represent a significant proportion of transaction volume.

64. Each quarter is taken as a 13-week period, starting as closely as practicable to the beginning of January, April, July and October and ending as closely as practicable to the end of March, June, September and December respectively. Dealers and other market participants can therefore expect publication of quarterly data in the first week or so of the following three-month period.

## **C. Accuracy of Data**

65. GEMMs are expected to take reasonable measures to ensure the accuracy and completeness of the data provided to the DMO. The DMO shall use reasonable endeavours to ensure the accuracy of the data provided to GEMMs and published to the market but does not guarantee that the data will be error-free, complete or continuously available.

## **2.3 Freedom of Information**

66. Since 1 January 2005, the DMO has been, as a public authority, subject to the provisions of the Freedom of Information Act 2000, under which any person may make a request seeking information held by the DMO. Upon receipt of such a request, the DMO must balance the legitimate interests of all parties involved against public expectations of accountability, openness and transparency.

## **2.4 Data Protection**

67. Personal data submitted to the DMO will be processed in accordance with the relevant data protection laws as applicable to the DMO. For more information on how the DMO handles personal information, please see the DMO's "Privacy Notice" available on the DMO website<sup>10</sup>.

<sup>10</sup> Available at: <https://www.dmo.gov.uk/terms-of-use/privacy-notice/>

GEMMs must abide by, and are responsible for ensuring compliance with, all data protection laws applicable to them.



## 3. Relationship Management

68. The DMO endeavours to manage relationships between the parties involved in the following respects.

### 3.1 Contact

69. GEMMs are expected to provide the DMO with a list of relevant staff involved with the gilt market making operation. This should include the names, telephone numbers and email addresses of the following: all traders, senior sales staff, debt capital markets and syndicate staff, legal and compliance officers, and settlement and data reporting contacts. GEMMs should endeavour to ensure that these lists are kept up-to-date and that any changes in such staff are notified to the DMO in a timely fashion. It is important that contact details are accurately maintained, particularly for business continuity planning purposes and access to the Bloomberg Auction System.

70. Each GEMM is encouraged to install and maintain a direct telephone line between its gilt trading desk and the DMO's dealers. This line is used for trading enquiries and as a back-up for the submission of auction bids but may also be used for any other purposes necessitating dialogue between the respective dealing teams.

71. The DMO's dealers may also be contacted via email or Bloomberg messaging services. Other members of DMO staff may be contacted in the same way, or on an outside telephone number<sup>11</sup>.

### 3.2 Regular Bilateral Meetings

72. The DMO aims to conduct bilateral meetings with representatives of each GEMM on a regular basis for relationship management reasons. These meetings are usually attended by members of the DMO's senior management team, the DMO's gilt dealers and other members of the Policy & Markets team and, from the GEMM, trading desk representatives, including the head of the desk, and a senior manager.

73. The agenda for each of these meetings may vary according to topical issues, individual views and circumstances, but the relevant GEMM's corporate and staffing issues and participation in the primary and secondary markets are likely to be reviewed and discussed. The DMO may take minutes at such meetings for purposes of internal reporting.

### 3.3 Ad-hoc Contact

74. Meetings between GEMMs and the DMO are not restricted to the more regular bilateral meetings detailed above. Either party may request a meeting at any time to discuss or present a particular issue, market development or innovative idea.

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<sup>11</sup> Contact details for DMO staff are provided in Annex A.

## 4. Regulation, Propriety and Exchange Membership

75. The DMO is not a regulatory authority. Regulatory responsibility in the United Kingdom for the firms that participate in the gilt market falls to the FCA, the PRA and other relevant regulatory and enforcement authorities (and, in other jurisdictions, may fall to other regulatory and enforcement authorities). GEMMs must abide by, and are responsible for ensuring compliance with, all legal and regulatory restrictions and obligations applicable to them in all relevant jurisdictions.

76. UK gilts are listed securities, currently listed by the DMO on the London Stock Exchange (LSE) and, as such, are treated as on-exchange products, even though the majority of dealing takes place over-the-counter (i.e. bilaterally over the telephone or via electronic trading platforms not operated or controlled by the LSE).

### 4.1 Supervisory Regulation

77. GEMMs are required to hold the regulatory authorisations, permissions and licences set out in section 1.2 above, and to comply fully with all applicable laws, regulations and codes of conduct or best practice.

78. Monitoring of an individual GEMM's operations in the gilt market and elsewhere is the responsibility of the FCA (and, where applicable, the PRA) and/or any relevant local equivalent(s) in other jurisdictions, in terms, for example, of risks undertaken, balance sheet capabilities and trading behaviour. The DMO has an active interest in the maintenance of the health of the market as a whole, including the maintenance of a liquid and orderly market in the interests of all investors and the minimisation of future financing costs for the Exchequer. In pursuance of their respective objectives, the FCA and the PRA (and/or any other applicable regulator) and the DMO may liaise with each other and exchange any relevant information at any time at their discretion, including (but not limited to) where either party is proposing a change to the existing market structure or regulation or where a firm is proposing to undertake new or increased trading activities (e.g. an application to be recognised under any one of the GEMM tiers).

### 4.2 Propriety

79. As well as complying with all relevant laws, regulations and codes of conduct, GEMMs and their staff are required to behave in an appropriate and professional manner in order to uphold the integrity of the gilt market.

### 4.3 Exchange Membership

80. GEMMs are required to be or to become members of a Relevant Exchange under the auspices of the FCA, and to abide by the rules and requirements of that exchange as they pertain to the gilt market. GEMM applicants wishing to operate under the terms of any other exchange must first seek jurisdiction approval from the DMO.

81. The complete rules of any Relevant Exchange are expected to be available on the exchange's website, and GEMMs should note that these, along with applicable laws and regulations, will dictate trade reporting obligations regarding any transactions executed, even if transacted over-the-counter. The rules may also prescribe the Relevant Exchange's own obligations on market makers with regard to reporting, making prices (and exceptions thereto), delivery of gilts, registration and access to IDB services.

## 5. Entry and Exit Procedures

82. In the interests of promoting fair competition amongst investment banks and other securities firms, the DMO has no fixed notion of the number of primary dealers that it is prepared to recognise at any one time. The DMO welcomes expressions of interest from potential applicants. There remain, however, certain criteria and procedures that must be fulfilled before a (potential) applicant may be considered for recognition (see below).

83. The DMO also recognises that market conditions or an individual firm's circumstances or priorities can change over time, which might lead to that firm requesting, or being requested by the DMO, to change the tier in which it may continue to be recognised by the DMO as a GEMM or resign its status as a GEMM. In such cases, it is important to ensure that the change in tier or departure of one firm is not detrimental to other GEMMs or the wider market.

### 5.1 Application Process

84. It is recommended that any firm considering applying to become a GEMM first contacts the DMO, in order to discuss its plans and to obtain an official application form – an example of which is reproduced in Annex C of this document. At this stage, the DMO will offer guidance on the likely suitability of the application and how best the applicant should go about meeting the criteria requested. Once the official form has been completed and submitted, the DMO will request a formal meeting with the applicant firm, involving senior staff from both parties, at which the firm may expand in more detail on its strategies and commitment to the market, and the DMO may seek to clarify any outstanding points and future course of action. DMO representatives may at their discretion visit the applicant's premises and dealing room for due diligence purposes in regard to price-making and dealing capacity, as well as to understand risk management procedures and practices or seek information on these or other such areas through other means.

### 5.2 Essential Criteria for New GEMM Applicants

85. In order to ensure the ongoing integrity and effective functioning of the gilt market, any firm wishing to be recognised as a GEMM must demonstrate to the DMO's satisfaction that they meet the requirements set out in this Guidebook. The DMO may also evaluate each firm based on the information provided in its application form or otherwise available to the DMO (including information related to its corporate structure, business plan, operational resilience, and reputational and compliance matters), any updates the DMO may request and any additional information in these areas or otherwise that the DMO may deem appropriate from time to time.

86. The determination of whether an applicant meets the DMO's requirements is solely at the discretion of the DMO. Further details on any or all of the requirements may be obtained from the DMO.

### 5.3 Procedures for Going Live

87. Assuming that an applicant firm meets the criteria and is approved by the DMO, by the Relevant Exchange and by their respective regulator(s), the DMO's Chief Executive or another member of DMO's senior management team will write to the senior representative of the firm to inform the applicant whether its application has been successful. At this stage, any approval may still be subject to the DMO receiving written confirmation of agreement from the regulator(s) and from the Relevant Exchange, signed acceptance of the terms and conditions of becoming a new GEMM by the applicant (including any repo or other legal contracts), installation of the necessary technical requirements, and agreement between the DMO and the applicant on a starting date.

88. Once all these procedures have been completed, the DMO will announce the appointment of the new GEMM to the wider market via its wire services pages and website. This announcement may be made some time in advance of the committed start date, or on the afternoon before, taking into account the applicant's preference. However, having made such an announcement, the DMO would expect any firm to start operations on the date specified.

## **5.4 Candidature and Probation**

89. All newly appointed primary dealer firms in the UK will be treated by the DMO as candidate (either Wholesale, Associate or Retail) GEMMs on probation for a period of time set initially at no longer than one year. The actual terms of a firm's candidature shall remain confidential between the firm and the DMO, but, depending on the particular tier and circumstances, are likely to involve the attainment of a minimum amount of market share, auction participation, client penetration or similar target, within that specified period of time. At the end of the probation period, the DMO will inform the firm whether it has been granted official GEMM status.

90. Newly appointed GEMMs have equal privileges and obligations to existing GEMMs, within their own tier, in most aspects of both the primary and secondary gilt market during their period of probation. Wholesale GEMMs will not generally be eligible, whilst on probation, for immediate consideration as members of a syndicate group, where fees are paid by the UK government to syndicate members. Associate GEMMs and Retail GEMMs are not usually eligible for consideration for gilt syndication roles.

91. Existing GEMMs may also have a period of probation imposed on them, should their performance as a GEMM deteriorate, either overall or in a particular segment of the market. Performance will be routinely analysed and discussed at the regular bilateral meetings between the DMO and GEMMs. Where the DMO agrees that an Associate GEMM may move from the Associate tier to the Wholesale GEMM tier, the GEMM will be treated by the DMO as on probation for a period of time set initially at no longer than one year following the move from the Associate GEMM tier to the Wholesale GEMM tier.

92. At any time, were the DMO to judge that a firm was no longer meeting one or more of the required criteria and obligations placed on GEMMs, or was not complying or had not complied with applicable laws and regulations, or was failing to achieve a satisfactory market share in either the primary or secondary gilt market, the DMO reserves the right to take appropriate remedial action in its sole discretion. Amongst other possible actions, the DMO may call senior representatives of the GEMM in question to a meeting to discuss the relevant shortcoming(s) with the DMO, and the GEMM may be given a formal warning that the shortcomings must be addressed within a set period of time. Senior management of the GEMM will be expected to provide the DMO with a written plan of action to address the issue(s) within this timeframe. If, by the expiry of this deadline, the agreed objective(s) has/have not been achieved, the DMO reserves the right to take action which could include treating the GEMM as on probation, making a change to the GEMM's tier or ceasing to recognise the firm as a GEMM.

93. In circumstances where a firm is treated as on probation, in order not to affect the firm's reputation and chances of succeeding in its objective(s), the DMO will not publicise the fact that such a probation order has been imposed.

94. Notwithstanding the provisions of paragraph 91, the DMO also reserves the right, with or without notice, to terminate a firm's status as a GEMM for actions by such firm that the DMO, in its sole discretion, deems incompatible with such firm's roles and responsibilities as a GEMM.

## 5.5 Exit Procedures

95. As well as failing to meet the required criteria and obligations, there could be other reasons why a firm may no longer wish to continue operating as a GEMM. In all cases, the DMO is concerned to ensure that a firm's departure is carried out in a way that does not cause undue disruption to other market participants.

96. Exiting firms should liaise early on with the DMO to inform it of any intention to resign, and to discuss the orderly unwind of any positions held, agree the timing and date of resignation, and the content of any announcements made to the market by the DMO and/or by the firm involved. Such an announcement is likely to be made on the last day of a trading week, with the resignation effective from the close of business on the same day.

97. An exiting firm will be asked to return any property belonging to the DMO (e.g. any electronic hardware or software) as soon as practicable.

## 6. Other Provisions

### 6.1 Jurisdiction and Governing Law

98. Subject as set out below, the courts of England and Wales shall have exclusive jurisdiction for the purpose of hearing and determining any suit, action or proceedings and/or to settle any dispute or claim (including any non-contractual dispute or claim) which might arise out of or in connection with this Guidebook or its subject matter or formation including any transaction entered into under the provisions contained therein (Proceedings).

99. However, nothing in this provision shall (or shall be construed to) limit the right of the DMO to bring Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law. This clause is for the benefit of the DMO.

100. This Guidebook and any notices making amendments to the Guidebook, together with any transaction entered into under its provisions, including non-contractual disputes or claims arising out of or in connection with their subject matter or formation, shall be governed by and shall be construed in accordance with the laws of England and Wales.

# Annex A. List of Current DMO Contacts and Wire Services Pages

## Contacts

Name	Position	Telephone No.	E-mail
<b>Jessica Pulay</b>	Chief Executive Officer		
<b>Jo Whelan</b>	Deputy Chief Executive*		
<b>Paul Canty</b>	Co-Head of Policy and Markets		
<b>Jim Juffs</b>	Chief Operating Officer		
	Markets Team	020 7862 6517	markets@dmo.gov.uk
	Policy Team	020 7862 6532	policy@dmo.gov.uk
	Information Manager	020 7862 6528	recordsmanagementservice@dmo.gov.uk

\*and Co-Head of Policy and Markets

## DMO Wire Services Pages

Information	Refinitiv Eikon	Bloomberg
<b>Index</b>	DMO/INDEX	DMO <GO>
<b>Announcements</b>	DMO/ALL1	DMO1 <GO>
<b>Cash management announcements</b>	DMO/CASHANN1	DMO9 <GO>
<b>T-bill tender information</b>	DMO/TBILL1	DMO10 <GO>
<b>T-bill tender calendar</b>	DMO/TBILLCAL1	DMO11 <GO>
<b>Standing &amp; special repos</b>	DMO/REPO1	DMO8 <GO>



# Annex B. GEMM Reporting Requirements

GEMMs are required to make electronic reports to the DMO, in csv ASCII text or XML format, on the basis described below. Files are submitted via a secure, password-protected SFTP system to the DMO's database(s). Each GEMM is assigned an individual code name and number for use in file submissions, and each submission should include the GEMM reference code, date applicable and type of report identifier (PSN or TRN for daily position and weekly turnover respectively): e.g. GD-NN-TRN-YYYYMMDD.csv. Detailed technical descriptions of reporting requirements are available upon request from a (prospective) GEMM.

## Daily Position Reports

GEMMs are expected to contribute position data for all gilts, including STRIPS.

### Time window

These reports must be sent between 5:00pm and 9:00am the next morning on every business day (occasionally this window may be changed, e.g. early close on Christmas Eve).

### Content

- Each file should begin with line 1 reading: DT01,DD-MMM-YY,HH:MM,GEMM (i.e. the firm's unique ID code number).
- Subsequent lines should begin with the identifier PO01, and list all gilts, including any green gilts, in which the GEMM has a position (short or long) by ISIN code, followed by the actual position (in £000s (thousands of pounds sterling) nominal).
- These are followed by positions in gilt futures contracts, beginning with the identifier PO02, then 2YR/5YR/10YR/30YR FUT, MMYYY, (-)NN, where NN is the number of contracts long or short, using a minus sign where the position is a short (e.g. PO02,10FUT,Dec18,-80).
- Then a list of all unsettled trades over £1 million nominal, up to the date of the report, beginning with the identifier UN01, then the name of the failing counterparty (maximum 19 characters), P or S, ISIN code, due date of settlement (DD-MMM-YYYY) and the size of the transaction (in £000s nominal).
- The report should end with a trailing line, beginning with TR01, followed by the total number of lines contained in the report, including the header and footer.

## Weekly Turnover Reports

GEMMs are expected to contribute turnover data for all gilts, including STRIPS.

### Time window

These reports must be sent by 9:00am every Tuesday morning (or the second business day of a week where there is a Bank Holiday on the relevant Monday and any consecutive days).

### Content

- Each file should begin with line 1 reading DT01,DD-MMM-YY,GEMM number (the date inserted being that of the Friday of the relevant week).
- Subsequent lines should begin with the identifier TO01, and list all trading in the previous week (Monday-Friday) by ISIN code and counterparty type, showing the total amount of transaction turnover (first by nominal and then by value, i.e. nominal size x dirty price). All values should be counted in £000s (i.e., thousands of pounds sterling).



Counterparty category codes are as follows:

Code	Counterparty type
BOEN	Bank of England (including for Asset Purchase Facility transactions)
BROK	Agency or other broking firms, UK or overseas based
DMOF	UK Debt Management Office (including for auction and option purchases)
GEMM	Other Gilt-edged Market Makers
IDBS	Inter-Dealer Brokers (those acknowledged by the UK DMO)
OSAM	Overseas-based asset manager
OSBK	Overseas-based bank, building society or similar
OSCB	Overseas central bank or other official institution
OSCE	Overseas-based connected entity to the reporting GEMM
OSHF	Overseas-based leveraged money or hedge fund
OSOT	Overseas-based other
OSPI	Overseas-based pension and insurance funds
UKAM	UK-based asset manager
UKBK	UK-based bank, building society or similar
UKCE	UK-based connected entity to the reporting GEMM
UKHF	UK-based leveraged money or hedge fund
UKOT	UK-based other
UKPI	UK-based pension and insurance funds

If applicable, the report should also include one single line entry covering all aggregated turnover in stripped gilts, starting ST01, followed by the total turnover by nominal amount, followed by total turnover by value. Again, these values should be counted in £000s (thousands of pounds sterling). Please do not include any stripping or reconstitution activity with the central depository.

Finally, the report should end with a trailing line, beginning with TR01, followed by the total number of lines contained in the report, including the header and footer.

Important note: the term GEMM in the position and turnover sections above refers to the gilt dealing activities of an individual bank's sterling rates trading team, as agreed with the DMO. Please do not include in turnover reports any repo transactions or other trades that are effectively book transfers. As a general rule, GEMMs should include deals that generate an instruction to CREST and a subsequent transfer of cash from one account to another, and disregard others. Please also exclude any gilt deals transacted by traders who are not directly involved with the firm's gilt market making operation (e.g. Eurosterling credit traders, Treasury desks).

# Annex C. New GEMM Application Form

For the attention of Head of Dealing:

## **APPLICATION TO BE RECOGNISED AS A GILT-EDGED MARKET MAKER (GEMM)**

Name of firm:

Address:

Contact name, title and telephone number:

Date of application:

Anticipated date for business start:

Is the firm:

- (i) not currently a GEMM, now seeking Wholesale, Associate or Retail GEMM status?  
If so, please answer all the questions below.
- (ii) already a [Wholesale][Associate][Retail] GEMM, now seeking to change tier  
If so, please specify the requested tier and answer questions 1 to 9 below.

(Note: to be recognised as a GEMM by the DMO, the firm must be in compliance with all the criteria and obligations that exist when the DMO considers an application (and not at the point at which the application is received).

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## **Corporate Overview**

1. Please attach a chart showing the (intended) corporate structure of the group containing the proposed GEMM, including the detailed ownership chain from the GEMM to the ultimate parent company and listing the jurisdiction of formation and primary regulator of each entity in the chain. What is intended to be the name, corporate status and regulatory status of the GEMM entity? Will it be separately capitalised? What is (are) the credit rating(s)<sup>12</sup> of this or, if unrated, the immediately superior entity? If the proposed GEMM entity is itself unrated, please explain the legal relationship between the entity and its parent, and any financial support or guarantee arrangements. Please name the lead regulator(s) for the legal entity (and, if relevant, the branch) containing the proposed GEMM and the firm's account manager and contact details at each such regulator. Please confirm the regulatory status and relevant permissions, approvals and registrations that the firm holds. Has the firm discussed this proposal with the firm's regulator(s)?
  2. Please provide a summary of the group's overall business strategy and geographic footprint and describe how the proposed new GEMM fits into the firm's overall business strategy.
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<sup>12</sup> Please give all available ratings, including outlooks, from Moody's, S&P, and Fitch.

## GEMM Business Plan

3. Please outline the volume and type of gilt, gilt-related or other relevant business that the firm currently undertakes. Please outline the volume and type of business (wholesale and/or retail) that the firm intends to conduct under the proposed new GEMM status. In both cases, provide an indication of the intended counterparty types (e.g. private investor, institutional, real money and leveraged accounts, inter-professional, related companies) and potential to bring new investors to the gilt market; any intended geographic, sectoral (including green or wider environmental, social and governance (ESG) if pertinent) or maturity band focus; the intended extent of own account trading; and the intended extent of any related market activities (e.g. repo, futures, swaps, options, other bond markets). Please also provide demonstration of market or customer interest for the firm to provide such a service.

4. Can the firm commit to fulfilling the expectations and obligations the DMO sets for GEMMs? These are:

- to participate actively in the DMO's issuance programme, broadly speaking by bidding competitively in all relevant auctions, and achieving a minimum allocation share of at least 2.0% on a six-month rolling average basis, or, in the case of Associate and Retail GEMMs only, demonstrate an acceptable level of participation pre-agreed with the DMO. The DMO also envisages that in order to assist the price formation process, each Wholesale GEMM will bid for a minimum of 5% of each auction averaged over a rolling six-month period;
- to make effective two-way prices on demand in all relevant gilts, in order to provide continuous liquidity; and to achieve a minimum market share of at least 2.0% on a six-month rolling average basis, or, in the case of Associate GEMMs and Retail GEMMs only, demonstrate an acceptable level of participation pre-agreed with the DMO;
- to report information and data to the DMO, and to install and maintain direct telephone and reporting lines, as prescribed; and
- to sign up to the other requirements (including any principles and codes of good practice) referred to in the DMO's "Official Operations in the Gilt Market: An Operational Notice" and "GEMM Guidebook: A guide to the roles of the DMO and Primary Dealers (GEMMs) in the UK government bond market"<sup>13</sup>.

5. Please give the firm's exchange membership status. Has the firm discussed this proposal with the exchange? Please also provide name(s) and contact details of exchange officials involved in the firm's application.

6. Please confirm the proportion of the firm's total gilt business to be booked through the GEMM, the amount of capital likely to be allocated to the GEMM business, and the intended management accounting or profit centre policy for the GEMM.

7. How will the operations relating to the GEMM activities be organised? Please outline planned staffing, giving details of the location and experience of the firm's staff and reporting lines, and provide an organisation chart. How does the firm plan to ensure the firm can continue to meet the firm's obligations in the event of a departure of key staff? What contingency planning does the firm have in place to maintain operational resilience?

8. How does the firm propose to organise the GEMM's trading book(s)? Where will the GEMM activity be booked? What are/will be the firm's arrangements for settlement (e.g. direct Euroclear UK & International Limited CREST membership)?

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<sup>13</sup> Latest versions are available on the DMO website at [www.dmo.gov.uk](http://www.dmo.gov.uk).

9. Please outline projected business levels for the GEMM, projected P&L, and any planned investment to support the new business. Please indicate how the firm will review its commitment to the GEMM business in future years.

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## **Reputation and Compliance**

10. Please outline arrangements in place to control any potential conflicts of interest between business units and ensure the compliance of trading, sales and other staff with prevailing legal and regulatory standards.

11. Is the applicant or any company in the same group engaged, or does it expect to be engaged, in the United Kingdom or elsewhere in any litigation or legal, regulatory or tax-related dispute which may have a material effect on the resources or market reputation of the applicant? If so, please give particulars.

12. Has the applicant or any company in the same group failed to meet any obligation within the past 10 years or been censured disciplined or publicly criticised by, or made the subject of a court order at the instigation of any regulatory, tax or enforcement authority in the United Kingdom or elsewhere? If so, please give particulars. Is there any reason to expect any such failure, censuring, disciplining, public criticism or court order? If so, please give particulars.

13. Has the applicant or any company in the same group been the subject of a legal, regulatory or tax investigation, enforcement action, censure, fine or similar proceeding in the United Kingdom or elsewhere? If so, please give particulars. Is there any reason to expect any such investigation, enforcement action, censure, fine or similar proceeding? If so, please give particulars.

14. In order to ensure the ongoing integrity of the gilt market and a consistent application of the standards across all GEMMs, applicants and existing GEMMs will be required to give the DMO periodic written assurances in relation to their compliance with all relevant laws and regulations.