

AGENDA FOR THE QUARTERLY CONSULTATION MEETING WITH GILT MARKET INVESTORS, 3.30pm AND GEMMS, 5pm ON MONDAY 17 MARCH 2008 at:

EASTCHEAP COURT, 11 PHILPOT LANE, LONDON EC3M 8UD

The DMO would like to invite up to 20 end investors to contribute to a discussion on next quarter's gilt issuance. Attendees may be nominated by their representative organisations (e.g. NAPF, ABI etc) or they may contact the DMO directly. Spaces are allocated on a first come, first served basis, at the DMO's discretion. Places will be limited to one person per organisation. Please contact Sarah Ellis or Steve Whiting on 0845 357 6501 or sarah.ellis@dmo.gsi.gov.uk / steve.whiting@dmo.gsi.gov.uk by close Friday 14 March if you would like to attend.

- 1. Review of gilt market operations: January-March 2008**
- 2. The DMO's Remit for 2008-09. See DMO announcement at Annex 1.**
- 3. Choice of conventional and index-linked gilts for auctions scheduled in April-June 2008.**

Conventional	Index-linked
3-April	8-April
17-April	24-April
15-May	22-May
3-June	10-June
12-June	24-June

Conventional gilt issuance

The DMO's ongoing policy is to build up new gilts to benchmark size.

Given the DMO's policy of issuing regularly across the year in each maturity area, the DMO proposes to hold two auctions each of short-dated and long-dated conventional gilts, and one auction of medium-dated conventional gilts in Q1 of 2008-09.

- Short-dated: The DMO intends to re-open 4½% Treasury Gilt 2013 at least once within the quarter. The DMO welcomes views on whether this gilt should be re-opened twice or whether it should also issue at a shorter maturity. In the latter case, this might be a re-opening of an existing current coupon short-dated gilt, or the launch of a new ultra-short benchmark.
- Medium-dated: The DMO expects to re-open 5% Treasury Gilt 2018 in the coming quarter.
- Long-dated: As far as possible, it is the DMO's intention to auction long-dated gilts in the early part of a month. Within this maturity bracket, the DMO expects to continue to build up 4¾% Treasury Gilt 2030 and 4½% Treasury Gilt 2042 in the forthcoming quarter, but would also be interested to hear views on the desired maturity (and timing of launch) of any new long-dated gilt and whether there is interest in re-openings of other existing current coupon long-dated gilts.

Index-linked gilt issuance

The DMO will aim to continue to build up new benchmark bonds at key maturities across the real yield curve. As far as possible it is the DMO's intention to schedule a long-dated index-linked gilt auction towards the end of each month. Of the five index-linked gilt auctions in Q1 the DMO expects that at least three will be of long-dated maturities. The DMO expects to re-open 0¾% IL 2047 at least once in the quarter, and views will be sought on whether there is scope to hold two auctions of this gilt or whether there is a preference to re-open other existing three-month design long-dated gilts. The DMO would also expect to re-open 1¾% IL 2022 at least once in Q1, and views will be sought on whether there is demand for the launch of new index-linked gilts at benchmark maturities either in Q1 or later in the financial year.

- 4. Any other business**

PUBLICATION OF THE DMO'S FINANCING REMIT FOR 2008-09

The DMO's financing remit for 2008-09 has been published today as part of the Budget 2008 announcements. The main points are summarised below.

Debt issuance by the DMO

The DMO plans to raise £85.8billion¹ in 2008-09; split as follows:

- Gilt sales: £80.0 billion in 41 auctions.
- Net Treasury bill sales: £5.8 billion.

Planned gilt sales

Gilt sales will comprise:

- £25.0 billion short conventional gilt sales in 7 auctions;
- £12.8 billion medium conventional gilt sales in 5 auctions;
- £24.2 billion long conventional gilt sales in 11 auctions;
- £18.0 billion index-linked gilt sales in 18 auctions.

Dates for quarterly gilt issuance announcements

With the exception of the first quarter, the consultation meetings (and the subsequent quarterly calendar announcements) will be held one month prior to the quarter-end (i.e. in May, August and November 2008) to continue to provide a greater degree of predictability and pre-commitment throughout the year.

Following the quarterly consultation meetings on 17 March 2008, further details of the conventional gilt auction scheduled for Thursday 3 April 2008 will be announced by the DMO at 3.30pm on Tuesday 25 March.

The details of the remaining auctions scheduled for April - June 2008 will be announced by the DMO at 3.30pm on Monday 31 March 2008.

Gilt auction calendar

The gilt auction calendar is reproduced at Table 1 below. As far as possible the DMO will aim to schedule long-dated conventional auctions early in a month and long-dated index-linked auctions towards the end of a month.

Switch auctions, conversion offers, syndicated offerings

The DMO has no current plans to hold any switch auctions, conversion offers, or syndicated offerings in 2008-09.

¹ All amounts in this announcement are in cash terms (unless otherwise indicated).

Treasury bill sales

The stock of Treasury bills in market hands is scheduled to rise by £5.8 billion in 2008-09, increasing the planned stock at end-March 2009 to £22.0 billion. The DMO has discretion to vary the Treasury bill stock over the end of the financial year in line with its cash management operational requirements. Any difference between the outturn and the target for 2008-09 will be reported in April 2009, along with any wider implications for the DMO's financing remit in 2009-10 arising from the publication of the outturn for the 2008-09 CGNCR.

Changes to the financing requirement

The Debt and Reserves Management Report (DRMR) 2008-09 includes new forecasts for the Central Government Net Cash Requirement (CGNCR) of £37.7 billion for 2007-08 and £59.3 billion in 2008-09. The CGNCR for 2008-09 reflects the Government's decision to refinance the Bank of England's loan to Northern Rock through a Treasury loan to Northern Rock. The net amount outstanding of that loan at 31 March 2009 is expected to be £14.0 billion. This refinancing is required to comply with restrictions in the Treaty establishing the European Community on central bank financing of government undertakings.

• 2007-08

The other main changes impacting on financing in 2007-08 are:

- an increase of £1.4 billion in forecast net sales by National Savings & Investments (NS&I), taking their contribution to financing to £5.6 billion;
- an increase of £0.7 billion in Treasury bill sales relative to the PBR forecast (as a result of bilateral sales of bills with maturities beyond 31 March 2008).
- a repayment of £6.0 billion in the Ways and Means advance, which was financed in 2007-08 as part of the DMO's Exchequer cash management operations.

As a result of these and other minor adjustments, the DMO is forecast to end the current financial year with a short-term net cash position of -£3.7 billion (£4.2 billion below plan). The resulting need to refinance this negative cash position adds £4.2 billion to the gross financing requirement in 2008-09².

• 2008-09

The gross financing requirement for 2008-09 is forecast to be £82.8 billion. This includes the estimated sterling refinancing of the \$3 billion bond issued by the Bank of England in 2003 (to finance the UK's foreign exchange reserves), which matures on 8 July 2008, and a small increase in the hedged reserves. After taking account of National Savings & Investments' estimated net contribution to financing of £4.0 billion, the net financing requirement for the DMO is forecast to be £78.8 billion.

This is being financed by gilt sales of £80.0 billion and Treasury bill sales of £5.8 billion. Gross debt issuance by the DMO is, therefore, expected to be £85.8 billion, with the

² This is set out in the planned short-term financing adjustment line in the financing arithmetic (see Table 2)

additional sum raised (in excess of the net financing requirement) being required to meet a further planned repayment of up to £7.0 billion of the Ways and Means Advance.

The latest financing arithmetic for 2007-08 and 2008-09 is reproduced at Table 2. Also reproduced at Table 3 are illustrative financing projections out to 2011-12.

Table 1: Gilt auction calendar 2008-09

Gilt auction calendar 2008-09	
Date	Type
2008	
03-April	Conventional
08-April	Index-linked
17-April	Conventional
24-April	Index-linked
15-May	Conventional
22-May	Index-linked
03-June	Conventional
10-June	Index-linked
12-June	Conventional
24-June	Index-linked
02-July	Conventional
08-July	Index-linked
17-July	Conventional
24-July	Index-linked
29-July	Conventional
05-August	Conventional
14-August	Index-linked
02-September	Conventional
10-September	Conventional
23-September	Index-linked
25-September	Conventional
01-October	Conventional
07-October	Index-linked
16-October	Conventional
28-October	Index-linked
04-November	Conventional
20-November	Conventional
25-November	Index-linked
02-December	Conventional
09-December	Index-linked
11-December	Conventional
2009	
13-January	Conventional
15-January	Index-linked
27-January	Index-linked
03-February	Conventional
12-February	Index-linked
24-February	Index-linked
26-February	Conventional
03-March	Conventional
10-March	Conventional
26-March	Index-linked

Table 2: Financing arithmetic 2007-08 and 2008-09

(£bn)	2007-08	2008-09
CGNCR	37.7	59.3
Gilt redemptions ¹	29.2	17.3
Financing for reserves	0.0	2.0
Buy-backs	0.1	0.0
Planned short-term financing adjustment ²	-4.1	4.2
Financing requirement	62.9	82.8
Less		
NS&I	5.6	4.0
Net financing requirement	57.3	78.8
Financed by		
1. Debt issuance by the DMO		
a) Treasury bills	0.6	5.8
b) Gilt sales	58.5	80.0
Split:		
Short-dated conventionals	10.1	25.0
Medium-dated conventionals	10.0	12.8
Long-dated conventionals	23.4	24.2
Index-linked gilts	15.0	18.0
2. Other planned change in short term debt³		
Ways and Means	-6.0	-7.0
3.Change in short term cash position⁴	-4.2	0.0
Total financing	53.1	78.8
Short-term debt levels at end of financial year		
T bill stock (in market hands)	16.2	22.0
Ways and Means	7.4	0.4
DMO net cash position	-3.7	0.5
<i>1 5½% 2008-12 is assumed to redeem in September 2008.</i>		
<i>2. To accommodate changes to the current year's financing requirement resulting from (i) publication of the previous year's outturn CGNCR and/or (ii) carry over of unanticipated changes to the cash position from the previous year.</i>		
<i>3. Total planned changes to short-term debt are the sum of: (i) the planned short-term financing adjustment, (ii) Treasury bill sales and (iii) changes to the level of Ways and Means.</i>		
<i>4. A negative (positive) number indicates an increase in (reduction of) the financing requirement for the following financial year.</i>		

Table 3: illustrative financing projections

Illustrative financing projections (Budget 2008)				
£bn	2009-10	2010-11	2011-12	2012-13
CGNCR projections	49	40	40	32
Gilt redemptions	17	30	27	13
Financing requirement*	66	70	67	45
CGNCR change since PBR 2007	11	7	6	3
<i>*indicative gross financing requirements.</i>				

More details about the Government's financing programme for 2008-09 and the DMO remit are included in the Debt and Reserves Management Report (DRMR) 2008-09, which can be found at:
www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0809.pdf

Q1	2008			Q2				Q3				Q4	2009		
	April	May	June		July	August	September		October	November	December		January	February	March
1				1				1				1			
2				2				2				2			
3				3				3				3			
4				4				4				4			
5				5				5				5			
6				6				6				6			
7				7				7				7			
8				8				8				8			
9				9				9				9			
10				10				10				10			
11				11				11				11			
12				12				12				12			
13				13				13				13			
14				14				14				14			
15				15				15				15			
16				16				16				16			
17				17				17				17			
18				18				18				18			
19				19				19				19			
20				20				20				20			
21				21				21				21			
22				22				22				22			
23				23				23				23			
24				24				24				24			
25				25				25				25			
26				26				26				26			
27				27				27				27			
28				28				28				28			
29				29				29				29			
30				30				30				30			
31				31				31				31			

Weekend	B. Holiday
---------	------------

Gilt auctions as announced			
Short	Medium	Long	Index-linked

Auctions to be announced	
Conventional	Index-linked