

RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE ANNOUNCEMENT OF THE Q1 2008-09 GILT AUCTION CALENDAR

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 17 March 2008. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled auctions in April-June 2008.

Ten gilt auctions are scheduled in the first quarter of FY 2008-09: five each of conventional and index-linked gilts. The conventional auctions are scheduled to be held on 3 and 17 April, 15 May, 3 and 12 June. The index-linked auctions are scheduled to be held on 8 and 24 April, 22 May, 10 and 24 June. The following main points emerged in discussion:

GEMMs:

Conventional: In short maturities there were mixed views about the merits of re-opening 4½% 2013 twice in Q1 (thereby helping to build it to benchmark size more quickly), issuing a new short-dated gilt alongside the 2013, or re-opening an existing short-dated conventional alongside the 2013. Those who suggested a new gilt proposed variously a new 2- or 3-year, with maturity dates of March 2010 and September 2011 mentioned. Those who suggested a re-opening of an existing gilt specifically mentioned 4¾% 2010, 4¼% 2011, 5% 2014 (and if not in Q1 - to accommodate two auctions of 4½% 2013 - it was suggested any of these gilts could be opened later in the financial year). 5% 2018 was seen as the obvious choice for medium-dated issuance. For long-dated maturities, there was general support for a re-opening 4½% 2042 in Q1 but a number of GEMMs were ambivalent about the case for re-opening 4¾% 2030 in Q1 (although not necessarily later in the financial year). There were a number of calls instead for a re-opening of 4¼% 2055 and an isolated call for a reopening of 4¼% 2036. There was also some support for a new 2050 maturity gilt to be issued, but generally later in the financial year rather than in Q1.

Index-linked: All attendees supported the case for at least one auction of 0¾% IL 2047, and a number suggested two. The 2027 and 2037 maturities were also frequently mentioned as auction candidates in Q1 and 1¼% IL 2055 was also proposed by some. There was one call for the older design 2035 maturity. Some recommendations were received for the launch of a new index-linked gilt with a 2032/3 maturity in Q1, whilst others advised that such a maturity be issued later in the financial year. Views were divided between 1¼% IL 2017 and 1⅞% IL 2022 for medium-dated issuance. There were also isolated calls for a new 5-year or 2014 maturity at the short-end of the real curve.

Investors

Conventional: There was general support for 4½% 2013 to be re-opened twice in Q1 to build it up to benchmark size quickly (although there was one call¹ for a reopening of 4¼% 2011). 5% 2018 was again seen as the obvious candidate for medium-dated issuance, although there was one call for a third long auction (of a new 2050 maturity) at

the expense of any medium issuance in Q1. 4¾% 2030 and 4½% 2042 were the predominant choices for long-dated issuance.

Index-linked: Attendees generally expressed preference for continued issuance of long-dated maturities, with most recommending two auctions of 0¾% IL 2047. 1⅞% IL 2022 was the preferred candidate for medium-maturity issuance in Q1. A number of other long-dated issues were mentioned as candidates for re-opening, including the 2027, 2037 and 2055 maturities. There was one call¹ for the launch of a new 2019 maturity and, looking ahead to the index event in August, some calls for the launch, either in Q1 or Q2, of a new bond of a more neutral duration. At the long end of the curve, there were a number of calls for a new 2050 maturity to be launched at some point in the financial year and also mentions of the need for a new 2040 or 2042 maturity.

The details of the conventional gilt auction on 3 April will be announced by the DMO at 3:30pm on Tuesday 25 March. The details of the remaining auction calendar for April-June 2008 will be announced by the DMO at 3:30pm on Monday 31 March.

The next quarterly consultation meetings will be held at the DMO on Monday 19 May 2008.

¹ Including by e-mail from those unable to attend.