



United Kingdom  
Debt Management  
Office

Eastcheap Court  
11 Philpot Lane  
London  
EC3M 8UD

T 020 7862 6500  
F 020 7862 6509

[www.dmo.gov.uk](http://www.dmo.gov.uk)

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## PRESS NOTICE

### REDEMPTION OF 3½% WAR LOAN

The government is today announcing that 3½% War Loan will be redeemed in its entirety at par on Monday 9 March 2015.

Under the terms of its Prospectus dated 30 June 1932, 3½% War Loan can be redeemed at par either by a single operation or by successive operations on 1 December 1952 or any date thereafter, subject to the government giving three calendar months' notice in the London Gazette. A formal notice to this effect will be published in the London Gazette on Monday 8 December.

Redemption monies (and the final non-standard interest payment of £0.942308 per £100 nominal) will be payable on 9 March 2015 to, or in accordance with the instructions of, the persons registered as holders on 23 February 2015.

3½% War Loan has £1,938.6 million (nominal) in issue and is by far the largest of eight outstanding undated gilts remaining in the gilt portfolio. 3½% War Loan itself accounts for 75% of the total stock of undated gilts (which together total £2.59 billion nominal and comprise 0.2% of the gilt portfolio).

On 31 October 2014 the government announced the redemption of 4% Consolidated Loan on 1 February 2015. 4% Consolidated Loan has £218.4 million in issue. Following the redemption of 4% Consolidated Loan and 3½% War Loan, the remaining six undated gilts will have £434.9 million nominal in issue.

This announcement implements part of the strategy announced by the Chancellor of the Exchequer today to repay the nation's First World War debt; this debt comprises 4% Consolidated Loan which will be redeemed on 1 February 2015 (as announced on 31 October 2014), 3½% War Loan and 3½% Conversion Loan.

The government is also announcing today that it will adopt a strategy to remove all other undated gilts from the gilt portfolio where that is deemed to provide value for money.

## NOTES TO EDITORS

3½% War Loan was issued by conversion from 5% War Loan 1929-47 in 1932. 5% 1929-47 was itself issued in 1917 as part of the financing of the First World War. The government has had the option to redeem 3½% War Loan since 1 December 1952.

The table below lists all the current undated gilts. All of these gilts, except 3½% War Loan, are rump gilts<sup>1</sup>.

Undated gilts	£ million (nominal)
4% Consolidated Loan	218.4
3½% War Loan	1,938.6
3½% Conversion Loan	15.6
3% Treasury Stock	34.6
2¾% Annuities	0.7
2½% Treasury Stock	220.9
2½% Consolidated Stock	162.1
2½% Annuities	0.9

The redemption of 3½% War Loan will increase the redemption total for 2014-15 accordingly. It will be factored into the DMO's financing remit to be updated at Autumn Statement 2014, and will be financed as part of the DMO's overall debt sales programme in 2014-15.

The strategy to remove all undated gilts from the gilt portfolio, where it is deemed to provide value for money, is a reflection of the current low interest rate environment, and the government's intention to reflect in its gilt portfolio those aspects of major sovereign bond markets of most importance to global investors, importantly including a continued focus on a benchmark issuance strategy to create large liquid stocks, thereby facilitating investor access to the market.

The government can only redeem 3½% Conversion Loan on one of the gilt's coupon dates (1 April or 1 October) subject to giving three months' notice in the London Gazette. The government will bring forward the necessary legislation to provide for any future redemption of the three undated gilts for which Parliamentary approval is required - these are 2¾% Annuities, 2½% Annuities and 2½% Consolidated Stock. The government would then be able to redeem these gilts as and when it is deemed value for money to do so.

This press notice will be appearing on the DMO's website at: [www.dmo.gov.uk](http://www.dmo.gov.uk)

HM Treasury has also issued a press notice regarding the redemption of 3½% War Loan, available at [www.gov.uk/hm-treasury](http://www.gov.uk/hm-treasury)

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<sup>1</sup> i.e. gilts whose size is deemed by the DMO to be so small that Gilt-edged Market Makers (GEMMs) are not required to make a market in them and the DMO acts as buyer of last resort.