



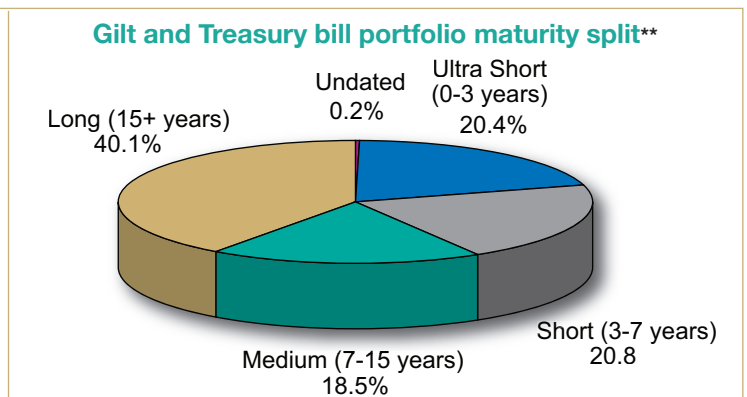
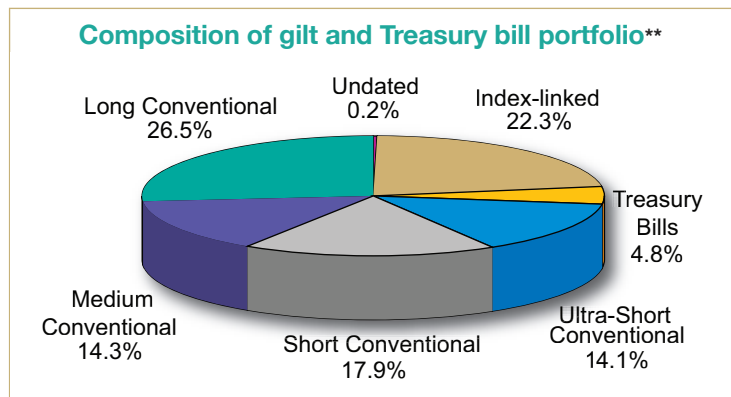
Quarterly REVIEW

www.dmo.gov.uk

Details of the Gilt and Treasury bill portfolio at 28 September 2012

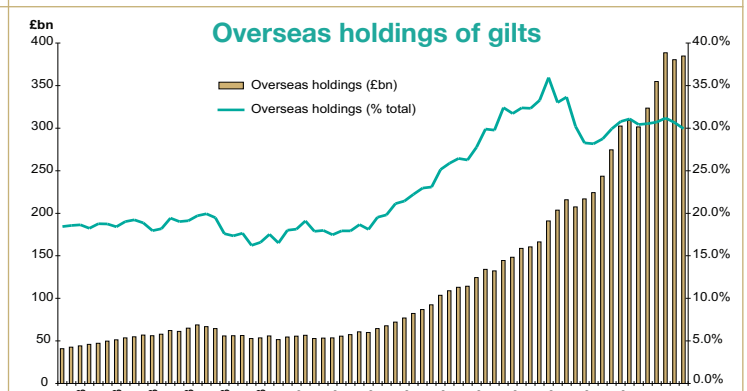
Portfolio summary statistics	29 June 2012		28 September 2012	
	Gross	Net*	Gross	Net*
Nominal value of the gilt and Treasury bill portfolio - including inflation uplift	£1,258.44bn	£1,139.88bn	£1,302.29bn	£1,171.50bn
Nominal value of the gilt portfolio - including inflation uplift	£1,186.52bn	£1,067.96bn	£1,239.87bn	£1,109.08bn
• Conventional gilts - inc. undated gilts	£907.94bn	£801.56bn	£949.79bn	£831.19bn
• Index-linked gilts	£278.58bn	£266.40bn	£290.07bn	£277.89bn
Market value of the gilt and Treasury bill portfolio - including inflation uplift	£1,519.24bn	£1,368.89bn	£1,558.81bn	£1,393.54bn
Market value of the gilt portfolio	£1,447.37bn	£1,297.03bn	£1,496.43bn	£1,331.16bn
• Conventional gilts - inc. undated gilts	£1,098.61bn	£964.00bn	£1,146.20bn	£996.50bn
• Index-linked gilts	£348.76bn	£333.03bn	£350.23bn	£334.66bn
Market value weighted average portfolio yield:				
• Conventional gilts - inc. undated gilts	1.70%	1.69%	1.59%	1.57%
• Index-linked gilts	-0.45%	-0.43%	-0.44%	-0.42%
Market value weighted average portfolio maturity - inc TBills:	14.77 years	14.78 years	14.60 years	14.62 years
Market value weighted average portfolio maturity - exc. TBills:	15.49 years	15.59 years	15.21 years	15.30 years
• Conventional gilts - exc. undated gilts	14.20 years	14.08 years	13.95 years	13.81 years
• Index-linked gilts	19.55 years	19.95 years	19.32 years	19.73 years
Market value weighted average portfolio modified duration:				
• Conventional gilts - inc. undated gilts	9.55 years	9.48 years	9.41 years	9.34 years
• Index-linked gilts	17.47 years	17.84 years	17.27 years	17.65 years

*The 'Net' holdings category excludes gilts held by the DMO.



Distribution of gilt holdings at 29 June 2012 (based on market values)

(£millions)	at end	Q1 2012	Q2 2012
Overseas		380,342	384,738
Bank of England (Asset Purchase Facility)		319,138	351,582
Insurance companies and pension funds		290,699	301,188
Monetary Financial Institutions*		115,832	117,023
Other financial institutions and other		100,376	98,946
Households		31,941	30,475
Local authorities and public corporations		2,242	958
TOTAL		1,240,570	1,284,910

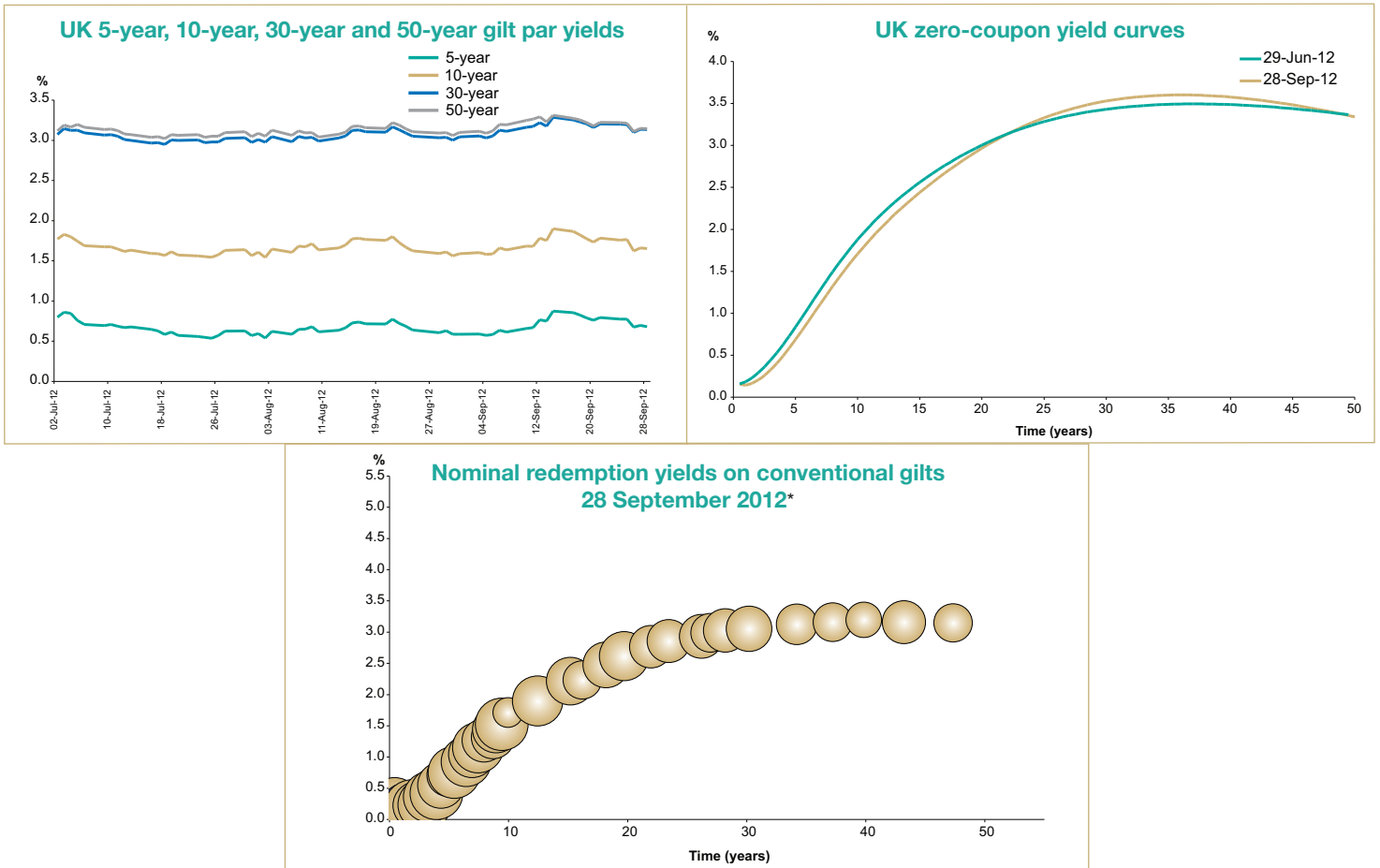


Source: ONS & BoE. These figures can be revised retrospectively.

*Monetary Financial Institutions replaces Banks and Building societies, and excludes BoE holdings.

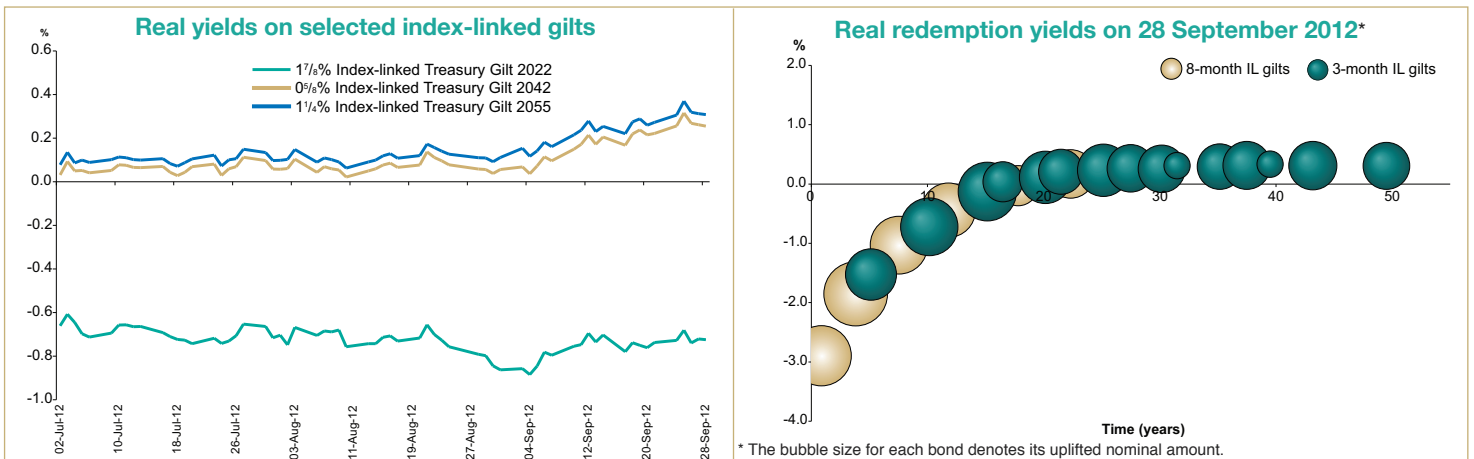
** These are based on uplifted nominal values. Figures in the pie charts may not sum due to rounding.

Conventional gilts

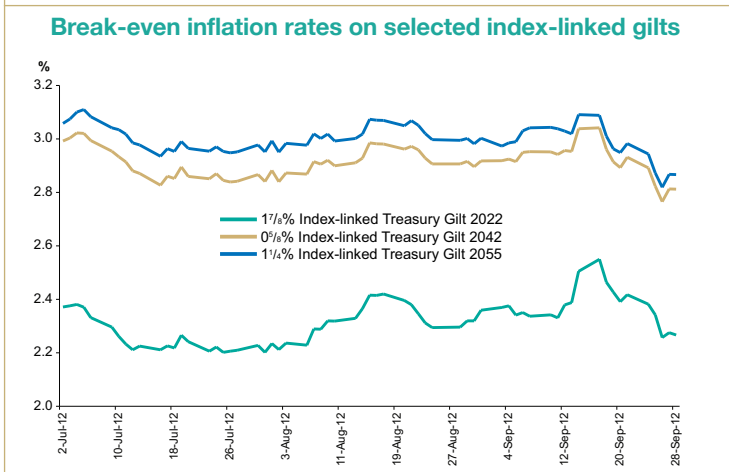


* The bubble size for each bond denotes its nominal amount. Rump gilts are not displayed in this chart.

Index-linked gilts



* The bubble size for each bond denotes its uplifted nominal amount.



Projected redemption values of index-linked gilts based on average inflation of 2½% and 3% per annum

Gilt Name	Inflation Assumptions	
	2.50%	3.00%
2½% Index-linked Treasury Stock 2013	275.46	275.79
2½% Index-linked Treasury Stock 2016	323.52	328.54
1¼% Index-linked Treasury Gilt 2017	142.54	146.04
2½% Index-linked Treasury Stock 2020	349.16	361.11
1⅞% Index-linked Treasury Gilt 2022	151.93	159.49
0⅞% Index-linked Treasury Gilt 2024	133.20	140.73
2½% Index-linked Treasury Stock 2024	329.42	347.81
1¼% Index-linked Treasury Gilt 2027	182.17	195.95
0⅞% Index-linked Treasury Gilt 2029	153.88	166.60
4⅞% Index-linked Treasury Stock 2030	276.17	300.24
1¼% Index-linked Treasury Gilt 2032	184.24	203.06
0¾% Index-linked Treasury Gilt 2034	178.01	197.47
2% Index-linked Treasury Stock 2035	240.19	266.89
1⅞% Index-linked Treasury Gilt 2037	223.81	252.75
0⅞% Index-linked Treasury Gilt 2040	221.44	252.93
0⅞% Index-linked Treasury Gilt 2042	241.06	278.94
0⅞% Index-linked Treasury Gilt 2044	218.33	254.28
0¾% Index-linked Treasury Gilt 2047	278.92	330.70
0½% Index-linked Treasury Gilt 2050	287.65	344.94
0¼% Index-linked Treasury Gilt 2052	266.46	322.66
1¼% Index-linked Treasury Gilt 2055	367.41	452.93
0⅞% Index-linked Treasury Gilt 2062	350.13	445.14

Data extracted from www.dmo.gov.uk report D9C on: 19/10/12

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Apr-11	12,849	0	-228	12,621
May-11	16,125	0	-650	15,475
Jun-11	17,429	0	-7,103	10,326
Jul-11	16,592	-5,190	-2,104	9,298
Aug-11	9,476	-7,991	-903	582
Sep-11	15,043	0	-9,959	5,084
Oct-11	17,031	0	-235	16,796
Nov-11	11,915	0	-711	11,204
Dec-11	16,138	-14,970	-7,409	-6,241
Jan-12	19,185	-256	-2,071	16,858
Feb-12	15,450	0	-737	14,713
Mar-12	12,180	-20,609	-10,718	19,147
Apr-12	17,554	0	-239	17,315
May-12	19,296	0	-734	18,562
Jun-12	11,667	-22,616	-7,344	-18,293
Jul-12	18,236	0	-2,411	15,825
Aug-12	10,106	-191	-738	9,177
Sep-12	16,486	0	-10,721	5,765
Oct-12	18,588	-	-243	18,345
Nov-12	-	-	-744	-
Dec-12	-	-	-6,937	-

Figures may not sum due to rounding.

*Coupon flow numbers are for the stock of debt outstanding at end-quarter.

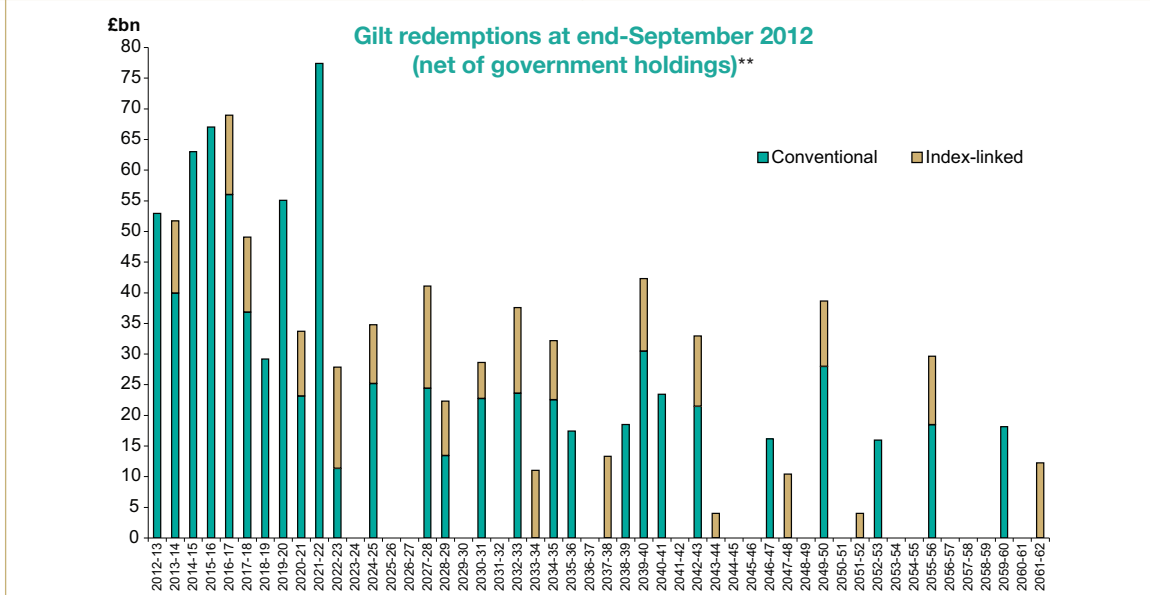
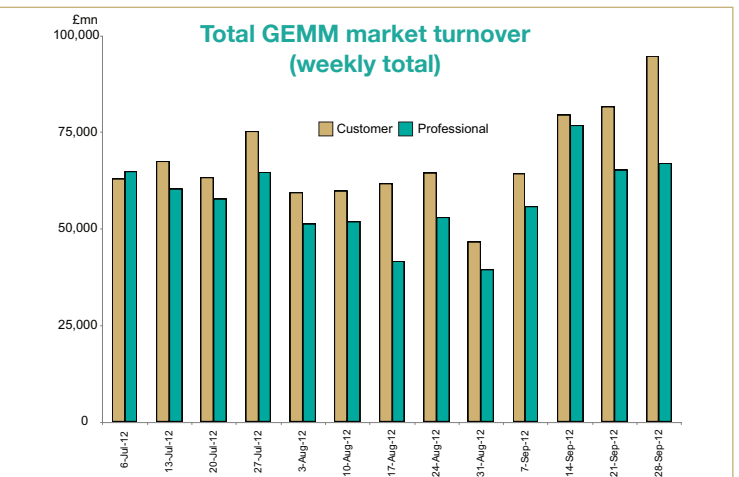
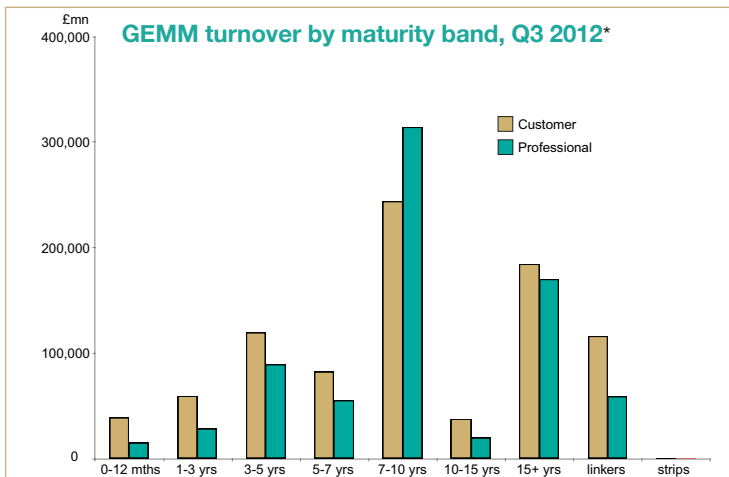
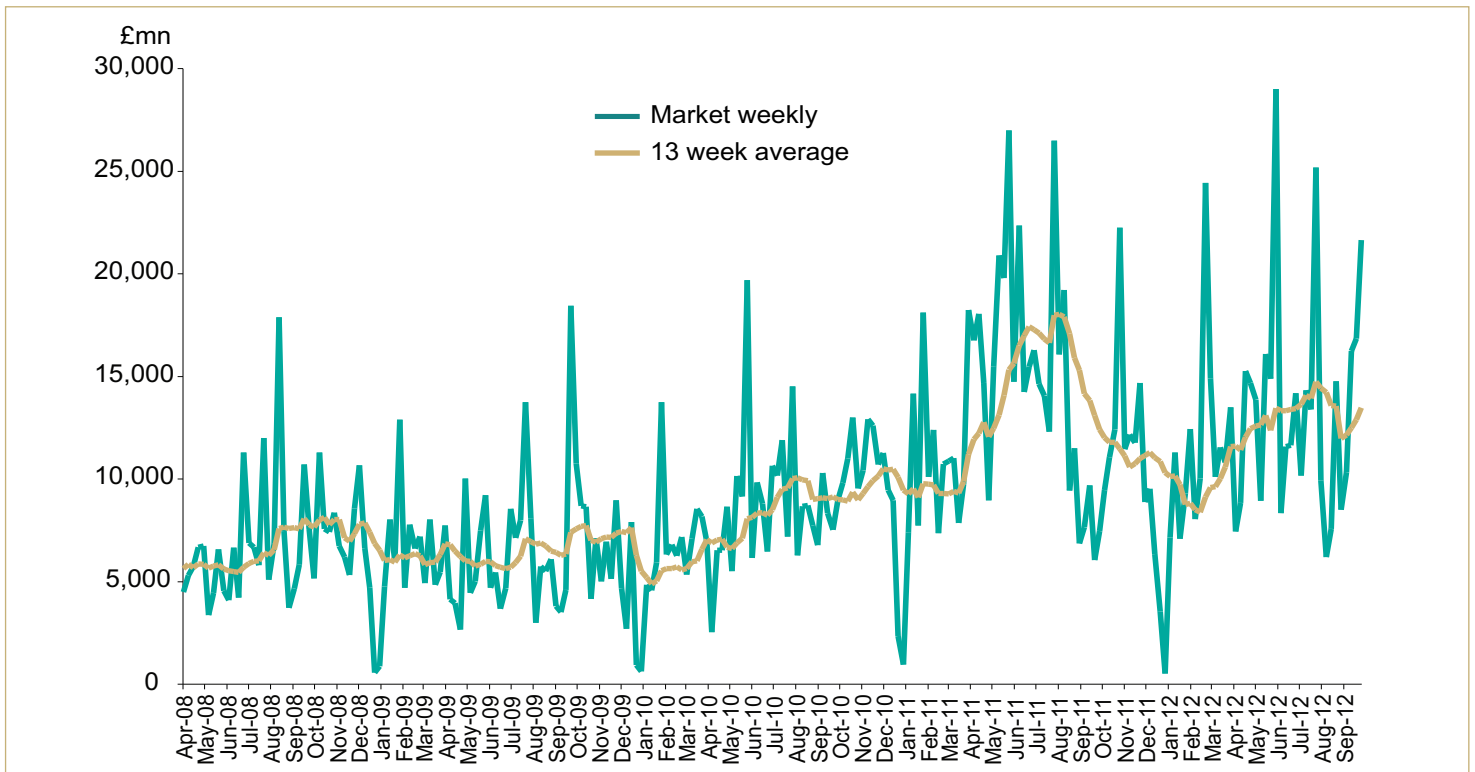
2011-12 and 2012-13 financing requirements

(£bn)	(2011-12) Budget 2012	2011-12 (outturn)	2012-13*
Central Government Net Cash Requirement (CGNCR) forecast	129.9	126.4	121.0
Redemptions	49.0	49.0	52.9
Financing for the Official Reserves	6.0	6.0	6.0
Debt buy-backs	0.0	0.0	0.0
Planned short-term financing adjustment	-8.6	-8.6	-17.4
Gross financing requirement	176.3	172.8	162.5
Less			
National Savings & Investments' contribution	4.3	4.0	0.0
Net financing requirement	172.0	168.8	162.5
Gilt sales planned during the year	178.9	179.4	164.4
Change in planned Treasury bill stock	-0.4	6.8	-1.9
Change in Ways and Means	0.0	0.4	0.4
DMO net cash position at end of financial year	14.1	17.9	0.5

Figures may not sum due to rounding.

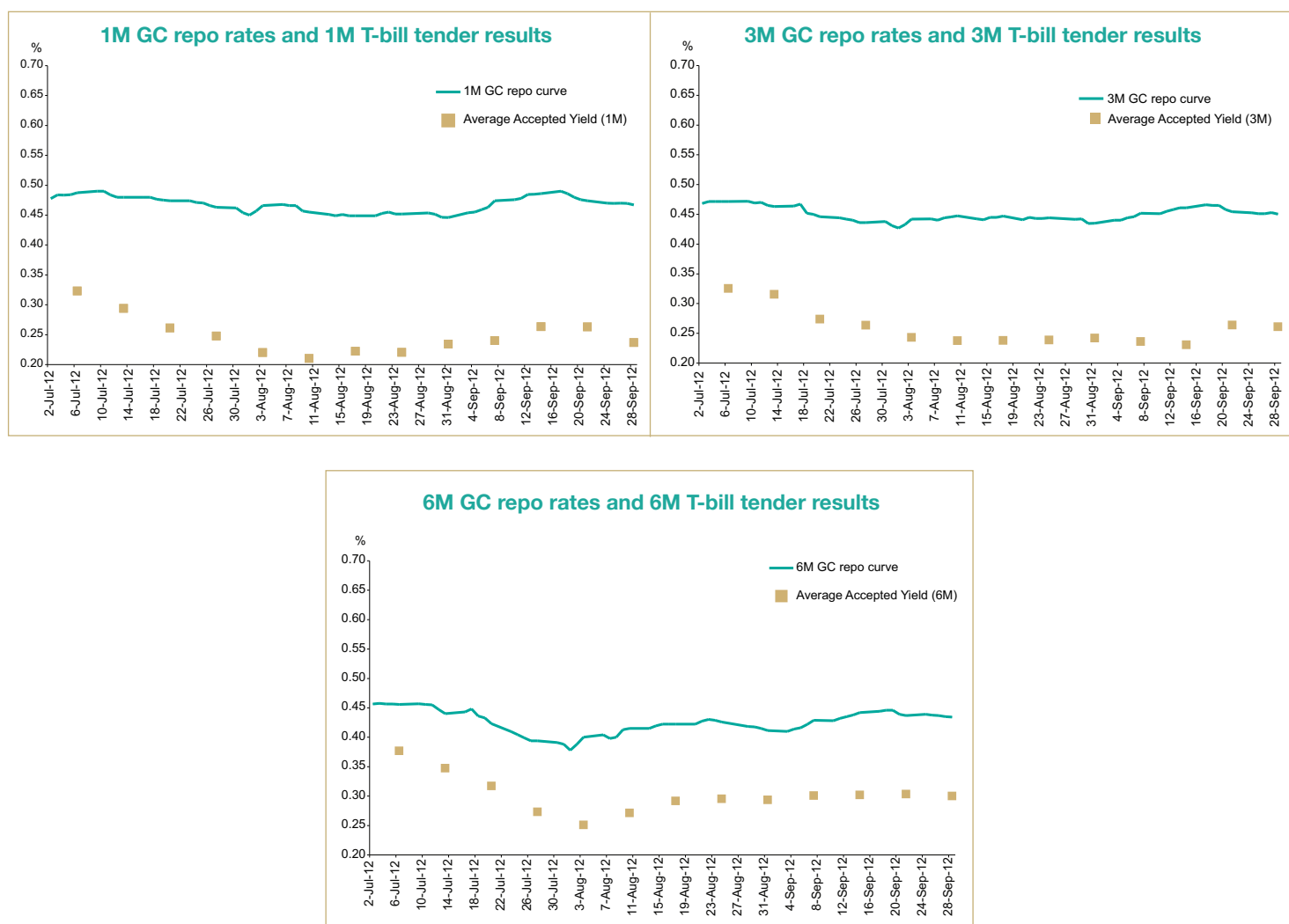
* As updated on 24 April 2012

Index-linked gilt market turnover 2008-2012



*Professional Turnover is defined as turnover with counterparties who are Broker Dealers (BDLs), other Gilt-edged Market Makers (GEMMs), DMO or Bank of England. Customers are all others (including businesses with related entities).
 ** The redemption totals for index-linked gilts in this chart do not reflect the full value of inflation uplift. They are calculated in a way consistent with the formulation of the Government's financing requirement, i.e. that part of the accrued inflation uplift on any redeeming gilts that represents the return to investors is included in the CGNCR in that redemption year, and the remainder is included in the redemption total for the year in which the relevant gilts redeem. 'Government holdings' is defined as gilts held by the DMO.

Money market operations



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Updated data, press releases and other information are available on the DMO website at www.dmo.gov.uk. Please send any queries to one of the email addresses above.

DMO Website: Useful Website Links

What's New

http://www.dmo.gov.uk/ceLogon.aspx?page=Press_New&rptcode=D8D

Events calendar

http://www.dmo.gov.uk/ceLogon.aspx?page=Events_Calendar&rptCode=D5J

Gilt market

Gilt prices page

www.dmo.gov.uk/index.aspx?page=Gilts/Daily_Prices

Gilts in issue

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Summary of results from all DMO gilt operations

http://www.dmo.gov.uk/ceLogon.aspx?page=Summary_of_results&rptCode=D2.1prof7

Cash sales versus the remit (updated after each operation)

<http://www.dmo.gov.uk/index.aspx?page=Remit/Information>

Gilt issuance history

http://www.dmo.gov.uk/index.aspx?page=Gilts/Gilts_In_Issue

Overseas holdings data

http://www.dmo.gov.uk/ceLogon.aspx?page=Gilts/Overseas_Holdings&rptCode=D5N

Index-linked gilts

Index-linked gilts in issue

<http://www.dmo.gov.uk/reportView.aspx?rptCode=D1D&rptName=75321885&reportpage=D1D>

Published cash flows

http://www.dmo.gov.uk/ceLogon.aspx?page=Nominal_IL&rptCode=D5I

Daily index ratios

<http://www.dmo.gov.uk/ceLogon.aspx?page=D10C&rptcode=D10C>

Money markets

Treasury bill prices

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Daily_Prices_Yields&rptCode=D3A

Summary of Treasury bills tender results

www.dmo.gov.uk/index.aspx?page=tbills/tbill_tenders

Treasury bill issuance history

http://www.dmo.gov.uk/ceLogon.aspx?page=tbills/Portfolio_Composition&rptcode=D2.2G

Guarantee schemes

<http://www.dmo.gov.uk/index.aspx?page=CGS/CGSIntro>

Key documents

Historical copies of the Quarterly Review

www.dmo.gov.uk/index.aspx?page=publications/Quarterly_Reviews

Historical copies of the Annual Review

http://www.dmo.gov.uk/index.aspx?page=publications/Annual_Reviews

DMO Website: Useful Website Links

Operational Notice – Gilt market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot20091120.pdf&page=operational_rules/Document

Operational Notice – Cash market

http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot180210.pdf&page=money_markets/publication

Guidebook – GEMMs

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook150811.pdf&page=operational_rules/Document

Debt & Reserves Management Report 2012-13

http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1213.pdf&page=Remit/full_details

Gilt prospectuses

<http://www.dmo.gov.uk/ceLogon.aspx?page=Prospectuses&rptcode=D8E>

Formulae for calculating gilt price from yields

<http://www.dmo.gov.uk/documentview.aspx?docname=/giltsmarket/formulae/yldeqns.pdf&page=Gilts/Formulae>

Public Works Loan Board (PWLB)

<http://www.dmo.gov.uk/index.aspx?page=PWLB/Introduction>

DMO FINANCING REMIT 2012-13

1. The DMO's financing remit for 2012-13 was published on 21 March 2012 alongside the Budget 2012. The remit was subsequently updated to reflect the outturn of the CGNCR for 2011-12 on 24 April 2012. Planned gilt sales were reduced by £3.3 billion¹ to £164.4 billion. The main points of the updated remit are summarised below.

Debt issuance by the DMO

2. The DMO plans to raise £162.5² billion in 2012-13, split as follows:

- Gilt sales: £164.4 billion
- Net Treasury bill sales: -£1.9 billion

Planned gilt sales

3. It is intended that the gilt sales plans will be met through a combination of:

- £124.9 billion of issuance in 44 auctions; and
- £39.5 billion of issuance via supplementary distribution methods, split³:
 - o £33.0 billion through a programme of up to eight syndicated offerings; and
 - o £6.5 billion through a programme of mini-tenders.

Gilt sales split by type and operation

4. Planned gilt sales by type, maturity and issuance are summarised below:

- £50.4 billion of short conventional gilts in 11 auctions;
- £34.5 billion of medium conventional gilts in 10 auctions;
- £37.2 billion of long conventional gilts in 11 auctions and up to three syndicated offerings (aiming to raise £23.7 billion by auction and £13.5 billion by syndication);
- £35.3 billion of index-linked gilts in 12 auctions and up to five syndicated offerings (aiming to raise £16.3 billion by auction and £19.0 billion by syndication).

5. The use of mini-tenders is being extended to include the sale of short- and medium-dated conventional gilts, such that all types and maturities of gilt will be eligible for sale via mini-tender in 2012-13.

6. The issuance methods to achieve these targets are based on current planning assumptions. In particular, total financing achieved through supplementary methods (and the split by method) will be dependent on market and demand conditions at the time transactions are conducted.

The gilt auction programme

7. The DMO published planned average auction sizes (in cash terms) by maturity and type in its quarterly issuance calendar announcement for April-June 2012 (on 30 March 2012) which was updated in the remit announcement on 24 April 2012. The DMO will publish updated planned average auction sizes in its regular auction size press releases and subsequent quarterly issuance calendar announcements thereafter.

¹ Planned sales of conventional gilts were reduced by £1.2 billion: sales of mediums by £0.4 billion, sales of longs by £0.4 billion, sales of index-linked gilts by £0.8 billion and planned sales by mini-tender by £0.5 billion.

² Sales figures in this announcement are in cash terms unless otherwise indicated.

³ This split will be adjusted in year depending on operation size decisions within the syndication programme. For example on 29 May 2012, £0.5bn of planned sales was moved from the mini-tender programme to the syndication programme (and the numbers above reflect that adjustment).

The syndication programme

8. The DMO intends to finance through the programme of syndicated offerings in 2012-13 on a broadly even flow basis throughout the year, in a similar way to 2011-12. The planning assumption of up to eight syndicated offerings implies a frequency of two such operations per quarter.
9. The DMO may continue to vary the (cash) size of each syndicated offering to take account of market and demand conditions at the time of each transaction. In order to maintain predictability about issuance via syndication, such discretion will be limited to around £1.0 billion (cash) above or below the prevailing average required operation size.
10. The mini-tender programme will be used as the main method to accommodate variations in proceeds from syndicated offerings. In the event that the proceeds from syndications fall consistently short of target the mini-tender programme will be increased. In the event that the proceeds from syndications are consistently above target the mini-tender programme will be reduced.
11. In the event that a number of syndications are increased above the prevailing average required operation size, it is possible that the remaining balance of sales to meet the planned syndication sales targets could be too small to hold viable offerings towards year-end despite offsetting adjustments (i.e. reductions) to the mini-tender programme earlier in the year. In this case, and to maintain predictability about the number of syndications to be held in the year, the DMO may increase the syndication sales targets for long conventional and index-linked gilts in total by up to 10% of the size of the syndication programme, (i.e. £3.3 billion) to ensure that the final syndications of long conventional and/or index-linked gilts remain viable.
12. The DMO will provide updates to the planning assumptions for the split between supplementary issuance via syndication and mini-tenders in each DMO press release announcing the results of a syndicated offering.

Interaction between the gilt auction calendar and the syndication programme

13. In order to facilitate the scheduling of a syndicated offering, the DMO may on an exceptional basis alter the timing of an existing gilt auction. An auction may be moved to another day in the week in which it was originally scheduled, to the previous week or to the following week. Any such changes may occur after the publication of the relevant quarterly issuance calendar but, if so, with a minimum of at least one week's notice. Any such changes would be announced alongside an announcement about the likely timing of a syndicated offering.

Gilt mini-tenders

14. The DMO also intends to enhance the extent to which the mini-tender programme is responsive to market demand in-year relative to 2011-12. Hence, all maturities and types of gilt will be eligible for sale.
15. The scheduling of mini-tenders will take place during the year, depending on market demand and the progress of the syndication programme. Hence, the size of the programme may be increased or reduced in accordance with any variations in the sizes of syndicated offerings during 2012-13 (see paragraphs 9 and 10).
16. Mini-tenders will be added to the calendar with at least seven working days notice, after market consultation. Market consultation may take place via the quarterly consultation process or at other times during the year.
17. The choice of gilt to be issued at each mini-tender will be determined on a case-by-case basis by the DMO in consultation with the market. Mini-tenders will be sized operation-by-operation and may vary in size subject to a maximum limit of half the size of an auction of comparable gilt by maturity or type. The DMO will announce the choice of gilt to be sold, as well as the maximum size for the operation, five working days before the date of each operation.

Treasury bill sales

18. The Treasury bill stock in 2012-13 is being reduced by a further £0.6 billion (from -£1.3 billion , announced at Budget 2012, to -£1.9 billion) to offset £0.6 billion of additional sales of Treasury bills on a bilateral basis that took place in the second half of March 2012. These additional sales raised the Treasury bill stock at end-March 2012 to £70.4 billion. The planned Treasury bill stock at end-March 2013 remains unchanged at £68.5 billion, as published at Budget 2012.
19. 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 planned target stock for 2012-13 will be reported in April 2013, along with any wider implications for the DMO's financing remit in 2013-14 arising from the publication of the outturn for the 2012-13 Central Government Net Cash Requirement (CGNCR).

Illustrative gross financing projections

20. The table below shows annual illustrative gross financing projections from 2013-14 to 2016-17 using updated projections of the CGNCR plus the latest estimate of gilt redemptions and planned financing for the Official Reserves in these years. These are not gilt sales forecasts and, in particular, make no assumption about any contribution to financing from NS&I or the sale of Treasury bills.

(£ billions)	2013-14	2014-15	2015-16	2016-17
CGNCR projections	112	81	56	37
Gilt redemptions	52	60	67	69
Financing for the Official Reserves	6	6	0	0
Illustrative gross financing requirement	170	147	123	106
CGNCR change since Autumn Statement (AS) 2011	-5	-4	-6	-7
Financing for the reserves change AS 2011	0	0	0	0
Redemptions change since AS 2011	0	0	0	16

Figures may not sum due to rounding.