

£1,000,000,000 NOMINAL OF

8% TREASURY STOCK 2003

**AVAILABLE FOR SWITCH BY AUCTION
ON A BID PRICE BASIS ON 21 OCTOBER 1999 INTO**

5% TREASURY STOCK 2004



Application will be made to the London Stock Exchange for the 5% Treasury Stock 2004 issued as a result of this switch auction to be admitted to the Official List on 22 October 1999.

1 THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites bids by GILT-EDGED MARKET-MAKERS ("GEMMs") holding 8% Treasury Stock 2003 to switch their holdings into 5% Treasury Stock 2004 with effect from 22 October 1999.

2 The DMO will announce a clean price for 8% Treasury Stock 2003 at 10.00am on 21 October 1999. Competitive bids are invited on a clean price basis for 5% Treasury Stock 2004. There is no provision for making bids on a non-competitive basis.

3 The DMO reserves the right to reject any bid or any part of any bid. Subject to this, bids will be ranked in descending order of price for 5% Treasury Stock 2004 and such Stock will be allocated to applicants whose bids are at or above the lowest price at which the DMO decides that any bid should be accepted (the "lowest accepted price"). Applicants whose bids are accepted in full will be allocated amounts of 5% Treasury Stock 2004 calculated according to the ratio of the dirty price (clean price plus accrued interest) of the source stock and the dirty price (clean price plus accrued interest) of the destination stock, rounded to four decimal places, and multiplied by the nominal amount of the source stock bid (or, where applicable, the percentage of the amount bid at the lowest accepted price), the sum of which is subject to any applicable scaling factor. The accrued interest on 8% Treasury Stock 2003 will be at the rate of £2.928962 for the period from 10 June 1999 (the last interest payment date of the stock) to 22 October 1999 (the settlement date of this switch auction). The accrued interest on 5% Treasury Stock 2004 will be at the rate of £1.653005 for the period from 23 June 1999 (the issue date of the stock) to 22 October 1999 (the settlement date of this switch auction).

4 The DMO may switch less than the full amount of the Stock on offer at the auction and may decide not to switch any of the Stock.

5% Treasury Stock 2004

5 5% Treasury Stock 2004 issued as a result of the switch auction will be fungible in all respects with the existing 5% Treasury Stock 2004 from the settlement date (22 October 1999) and will be subject to the provisions of the prospectus dated 15 June 1999 and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO on 12 May 1998 (the "Information Memorandum"). GEMMs who switch all or part of their holdings will therefore qualify for the first interest payment on 5% Treasury Stock 2004 which is payable on 7 December 1999 at the rate of £2.281421 per £100 nominal of stock. Switches of holdings of 8% Treasury Stock 2003 will be on the basis that they are surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them.

Bidding

6 Between 10.00am and 10.20am on 21 October 1999 GEMMs may make an unlimited number of telephone bids to the DMO; between 10.20am and 10.30am GEMMs are allowed up to a further 10 telephone bids each. Bids received after 10.30am on 21 October 1999 will not be accepted.

Settlement

7 Settlement of successful bids should be effected on 22 October 1999 through the Central Gilts Office ("CGO") system by means of a *free of payment Complex Delivery* ("Many-to-Many" - "MTM") transaction type; the counterparty to the transaction will be Participant ID "5989". For further details on the *Complex Delivery* transaction type, please refer to the CGO User's Guide (Section 14.9) or contact the CGO help desk on 0171-601 3999.

Enquiries on the terms of the switch auction may be made to the DMO on 0171-862 6500.

Government Statement

As explained in the statement issued by Her Majesty's Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor its servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 5% Treasury Stock 2004 is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

UNITED KINGDOM DEBT MANAGEMENT OFFICE

LONDON

12 October 1999

