

RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE JULY-SEPTEMBER 2007 GILT AUCTION ANNOUNCEMENT

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 29 May 2007. The meetings were primarily intended to inform the choice of gilts to be issued in the scheduled auctions in July - September 2007.

Seven gilt auctions are scheduled in the second quarter of FY 2007-08: four conventional gilt auctions and three of index-linked gilts. The conventional auctions will be held on 3 July, 9 August, 11 September and 13 September. The index-linked auctions will be held on 10 July, 26 July and 26 September. The auction calendar for the second quarter will be announced at 3.30pm on Thursday 31 May 2007. The following main points emerged in discussion:

GEMMs

Conventional: Most attendees pointed to ongoing demand for long-dated maturities and expressed strong support for two re-openings of 4½% 2042 in July, and September; most thought there was little need for a new long-dated conventional in Q2 citing a preference to build up the new 2042 first. 5¼% 2012 and 5% 2018 were seen as the obvious candidates for short- and medium-dated issuance with views divided about the sequencing of these auctions.

Index-linked: All requested at least one re-opening of the 2037 maturity and several GEMMs also suggested a re-opening of the 2055 maturity. There were also calls for the launch of a new 2022 maturity at some stage in the quarter, with some advising that that such a gilt might be launched in fairly large size. Others proposed re-openings of the 2017 and 2027 maturities. There were only isolated references to a new 40-year gilt.

End-investors

Conventional: Again, strong demand for longs was cited and there was general support for re-opening of 4½% 2042 twice in the quarter, in July and September. Some attendees, however, noted that if a new long-dated gilt was to be issued, it should be a shorter than 2042. 5¼% 2012 and 5% 2018 were seen as the obvious candidates for conventional short- and medium-dated issuance in September and August respectively.

Index-linked: Here too, investor attendees highlighted the strong current demand for duration, as evidenced by the shape of the gilt curve. All recommended at least one re-opening of the 2037 maturity, with some calling for that gilt to be auctioned twice (along with a re-opening of the 2027 maturity). There were also several calls for a re-opening of the 2055 maturity. In the medium maturity bracket, there was generally more support for the launch of a new 2022 maturity to start the quarter, as opposed to a further re-opening of the 2017 maturity. There was also a call for the introduction of a new 40-year index-linked gilt.

The next quarterly consultation meetings will be held on Tuesday 28 August 2007.