

RECORD OF QUARTERLY MEETINGS WITH GILT MARKET PARTICIPANTS AHEAD OF THE APRIL-JUNE 2006 GILT AUCTION ANNOUNCEMENT

The DMO held meetings with the Gilt-edged Market Makers (GEMMs) and with representatives of gilt investors on 27 March 2006. The meetings were primarily intended to inform the choice of gilts to be issued in the next quarter.

Nine gilt auctions are scheduled in April-June 2006: five conventional gilt auctions (one each of short and medium and three of long-dated gilts) and four of index-linked gilts (at least three of which are scheduled to be long-dated). The conventional auctions will be held on 4 April, 11 May, 25 May, 7 June and 22 June. The index-linked auctions will be held on 11 April, 25 April, 23 May, and 27 June. **The gilt issuance calendar for April-June 2006 will be announced by the DMO at 3.30pm today, Tuesday 28 March 2006.** In discussion, the following main points emerged:

All GEMMs: There was a clear majority of opinion in favour of re-opening 4¼% 2055 on 4 April. Some advised the launch of a new 40-year gilt on that date, but most proposed that a new 40-year gilt be brought on two of the dates 11 May, 25 May and 7 June. Views were divided between sequencing of any 40-year auctions within these dates. Some attendees also suggested that consideration be given to opening a new 25- to 30-year gilt, or reopening existing 2028s or 2032s, at some stage in the quarter. All recommended the re-opening of 4¼% 2011 and 4% 2016 for the short and medium auctions with most advising one of the auction dates in May and 22 June for such issuance, but with no strong preference on sequencing.

IL GEMMs: Most recommended a reopening of 1¼% IL 2017 on 11 April, but with some suggesting issuance in the 20-year area of the curve on that date. In general, there was strong support for the reopening of the 2024 bond or the launch of a new 20-year index-linked gilt at least once in this quarter. There was also some support for the launch of a new 40-year index-linked gilt, while others advised re-openings of the 2035 and/or 2055 maturities.

End investors

Conventional: Most attendees favoured a reopening of 4¼% 2055 in April, but there were also isolated calls for the reopening of other existing longs (e.g. 4¾% 2038) or the launch of a new 40-year gilt on this date. However, the majority preferred to wait until May for the launch of such a gilt, with a swift re-opening on 7 June to coincide with the index extension, although a couple of attendees suggested that an index-neutral gilt be auctioned on this date. Most saw 11 May and 22 June as the preferred dates for short and medium issuance (of 4¼% 2011 and 4% 2016) with views divided over the sequencing.

Index-linked: There was virtual unanimity regarding the choice of the 2017 maturity for the 11 April date. Recommendations for issuance at the long end included re-opening(s) of existing gilts with maturities from 2024 to 2055, along with calls for the launch of a new 40-year index-linked gilt. Again, there was no obvious consensus on the sequencing of these auctions, although most agreed that it would be desirable to have a 40-year conventional gilt established before the introduction of a similar maturity index-linked gilt.

The next quarterly consultation meetings will be held on Monday 22 May 2006: 4.00pm (Investors) and 5.00pm (GEMMs and IL GEMMs).