



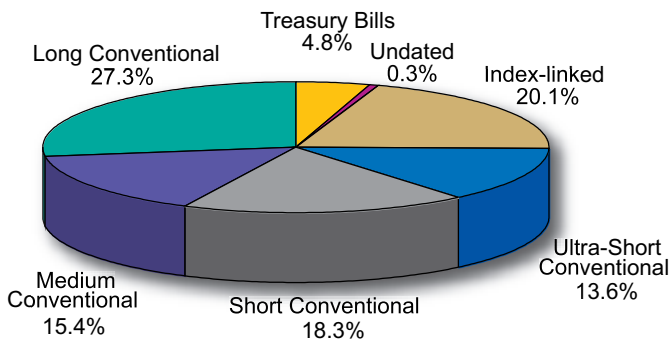
Quarterly REVIEW

Details of the gilt and Treasury bill portfolio at 31 December 2009

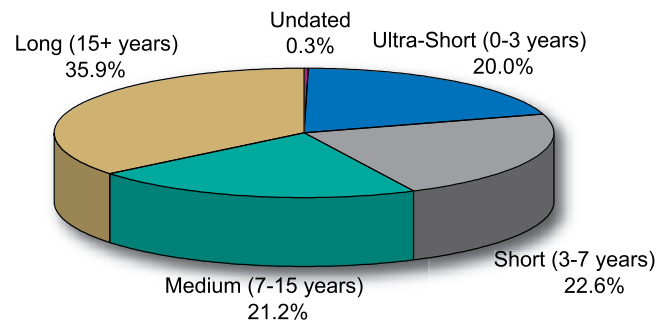
Portfolio summary statistics	30 September 2009	31 December 2009
Nominal value of the gilt and Treasury bill portfolio (including inflation uplift)	£874.30bn (£745.05bn)	£911.34bn (£784.99bn)
Nominal value of the gilt portfolio (including inflation uplift)	£822.01bn (£692.76bn)	£863.72bn (£737.37bn)
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	£645.07bn (£528.06bn) £176.94bn (£164.70bn)	£681.19bn (£567.17bn) £182.53bn (£170.20bn)
Market value of the gilt and Treasury bill portfolio (including inflation uplift)	£965.43bn (£819.51bn)	£982.67bn (£843.91bn)
Market value of the gilt portfolio	£913.17bn (£767.25bn)	£935.08bn (£796.33bn)
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	£708.97bn (£577.44bn) £204.20bn (£189.81bn)	£723.91bn (£599.77bn) £211.18bn (£196.56bn)
Market value weighted average portfolio yield:		
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	3.02% 0.67%	3.34% 0.57%
Market value weighted average portfolio maturity (inc TBills):	13.47 years	13.47 years
Market value weighted average portfolio maturity (exc. TBills):	14.23 years	14.15 years
<ul style="list-style-type: none"> Conventional gilts (exc. undated gilts) Index-linked gilts 	13.42 years 17.04 years	13.36 years 16.85 years
Market value weighted average portfolio modified duration:		
<ul style="list-style-type: none"> Conventional gilts (inc. undated gilts) Index-linked gilts 	8.55 years 14.60 years	8.38 years 14.45 years

In the above, figures in brackets are net of government holdings.

Composition of gilt and Treasury bill portfolio*



Gilt and Treasury bill portfolio maturity split*

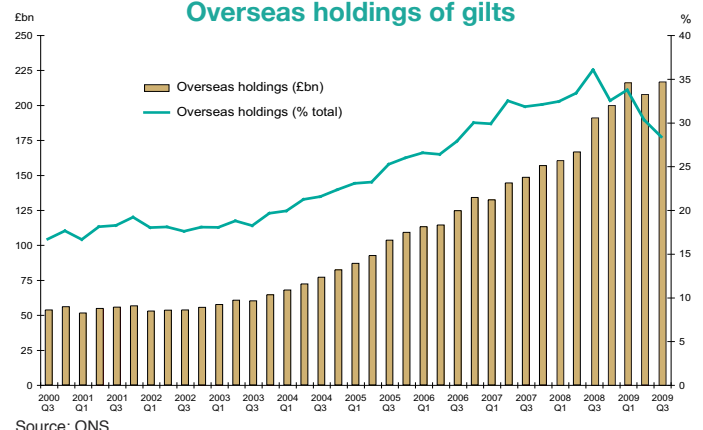


Distribution of gilt holdings at 30 September 2009 (based on market values)

(£millions)	at end	Q2 2009	Q3 2009
Insurance companies and pension funds		233,286	248,400
Overseas		207,535	216,918
Other financial institutions and other		104,889	97,126
Households		7,068	5,593
Building societies		10,011	12,899
Local authorities and public corporations		1,465	1,462
Banks		122,932	184,847
TOTAL		687,186	767,245

Source: ONS. These figures can be revised retrospectively.

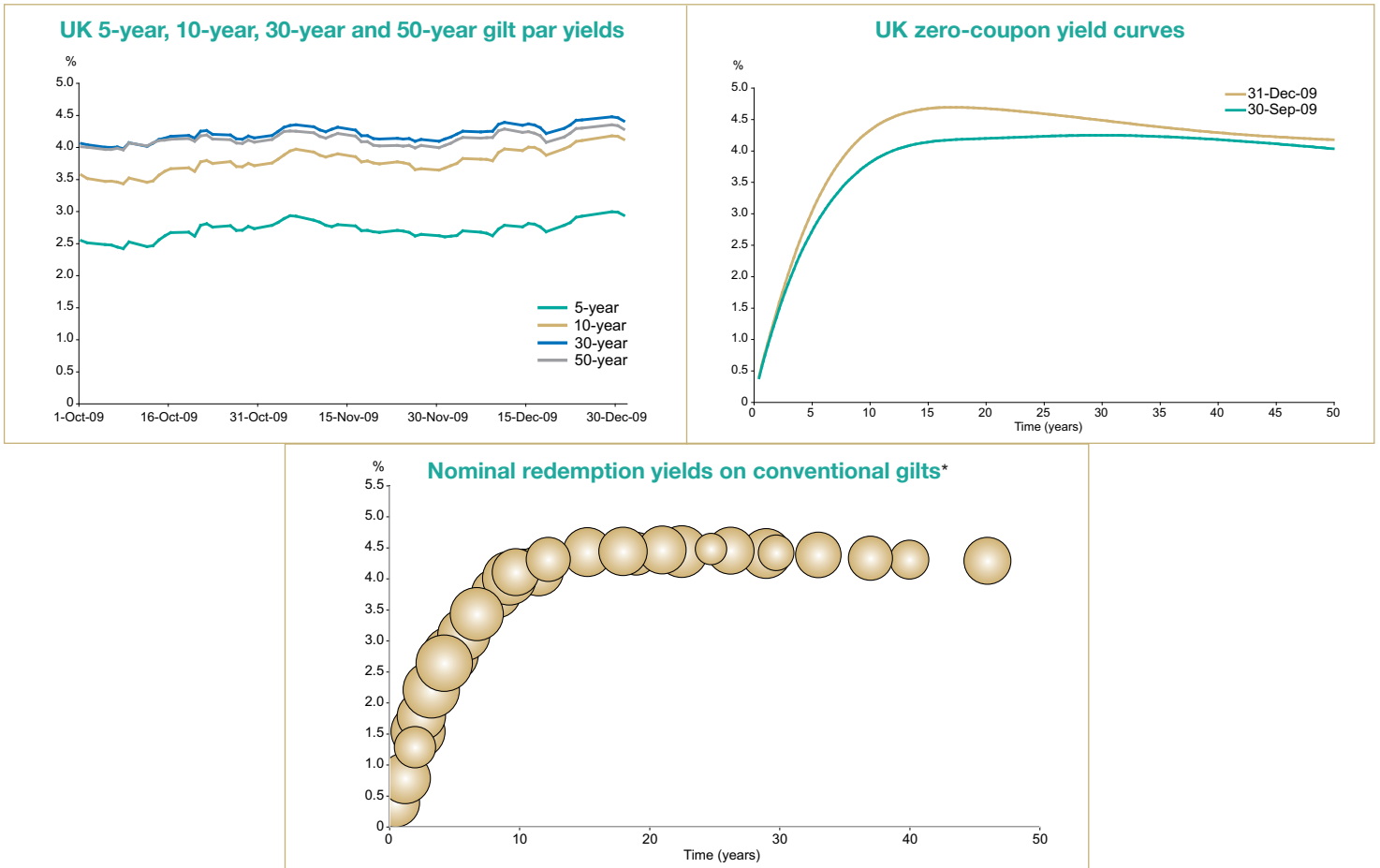
Overseas holdings of gilts



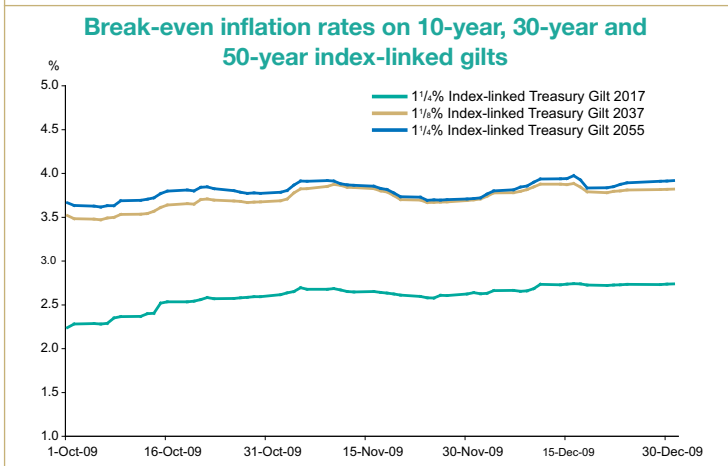
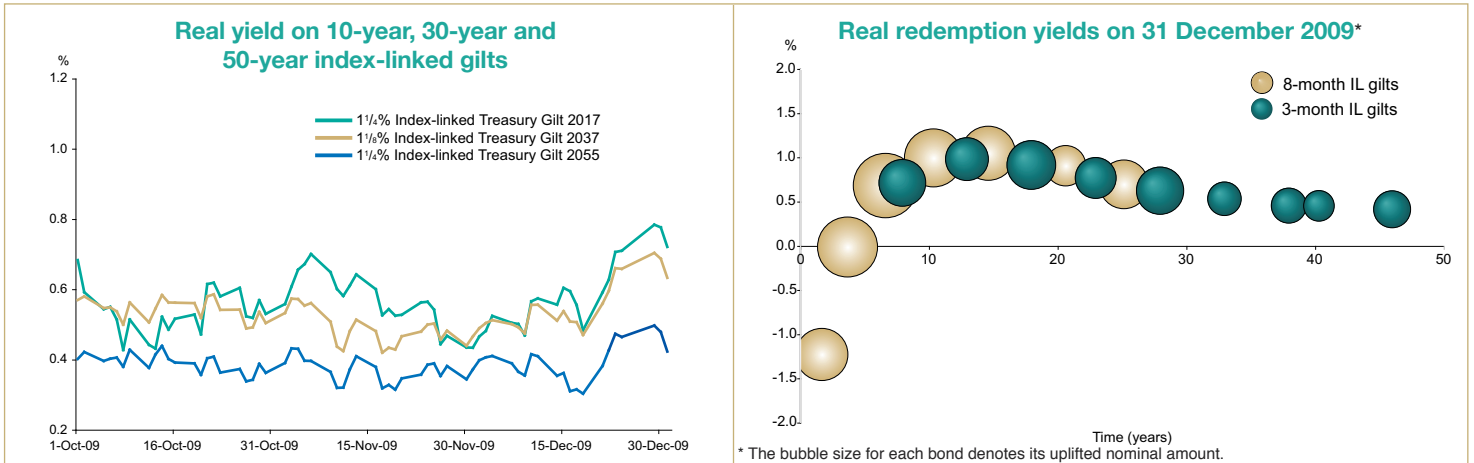
Source: ONS

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

Conventional gilts



Index-linked gilts



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 2011	298.42	300.00
2½% Index-linked Treasury Stock 2013	262.03	265.99
2½% Index-linked Treasury Stock 2016	307.75	316.86
1¼% Index-linked Treasury Gilt 2017	135.59	140.85
2½% Index-linked Treasury Stock 2020	332.14	348.28
1⅞% Index-linked Treasury Gilt 2022	144.52	153.82
2½% Index-linked Treasury Stock 2024	313.36	335.45
1¼% Index-linked Treasury Gilt 2027	173.29	188.98
4⅞% Index-linked Treasury Stock 2030	262.71	289.57
1¼% Index-linked Treasury Gilt 2032	175.26	195.84
2% Index-linked Treasury Stock 2035	228.48	257.41
1⅞% Index-linked Treasury Gilt 2037	212.90	243.77
0⅝% Index-linked Treasury Gilt 2042	229.30	269.02
0¼% Index-linked Treasury Gilt 2047	265.32	318.95
0½% Index-linked Treasury Gilt 2050	273.62	332.68
1¼% Index-linked Treasury Gilt 2055	349.49	436.82

Data extracted from www.dmo.gov.uk report D9C on: 01/01/10

Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Oct-08	20,985	-379	-234	20,332
Nov-08	19,165	0	-584	18,581
Dec-08	11,093	0	-4,841	6,252
Jan-09	16,879	0	-1,060	15,819
Feb-09	18,686	0	-839	17,847
Mar-09	17,784	17,229	-5,216	-4,661
Apr-09	19,375	0	-223	19,152
May-09	14,249	-3,755	-681	9,813
Jun-09	24,270	0	-6,763	17,507
Jul-09	28,179	0	1,902	26,277
Aug-09	8,119	0	879	7,240
Sep-09	27,945	-208	-6,750	20,987
Oct-09	26,035	0	-217	25,818
Nov-09	17,034	0	-634	16,400
Dec-09	14,163	-12,585	-7,163	-5,585
Jan-10	14,302	0	-1,214	13,088
Feb-10		0	-873	-
Mar-10		0	-8,120	-

Figures may not sum due to rounding

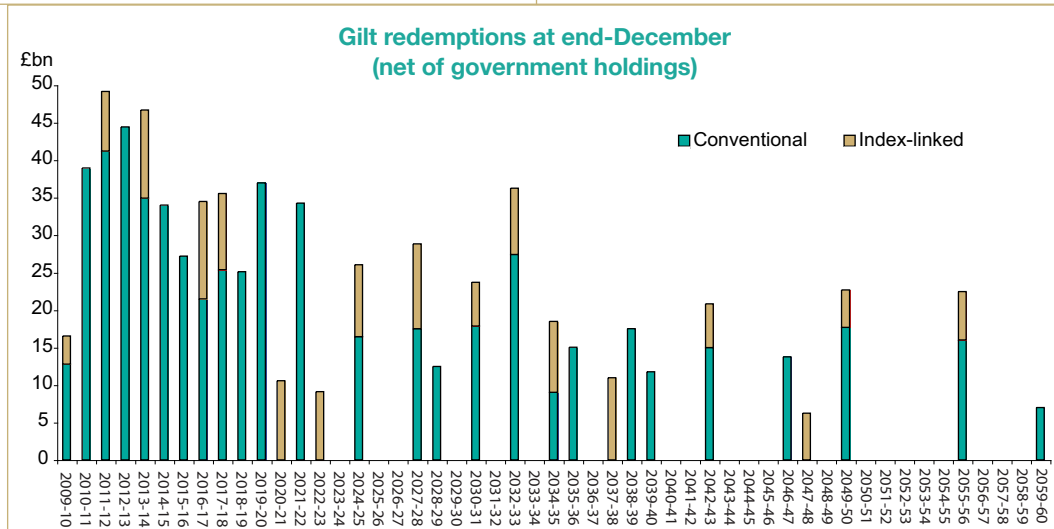
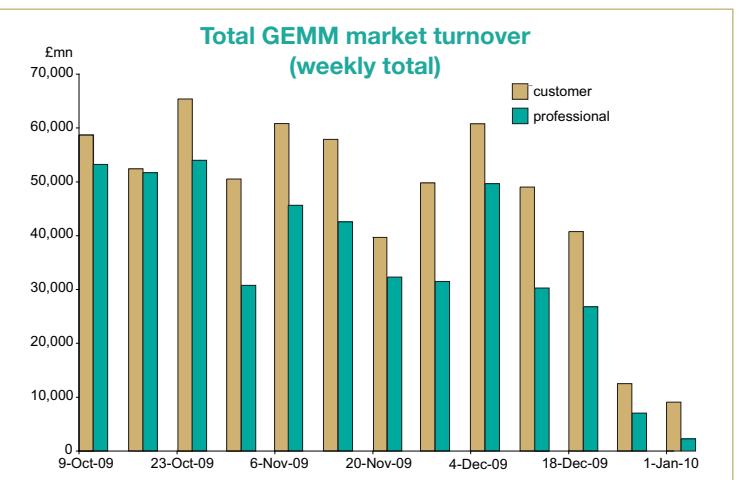
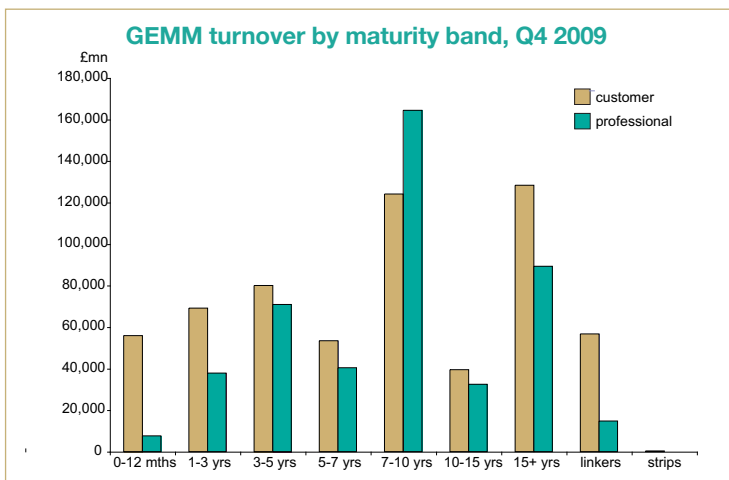
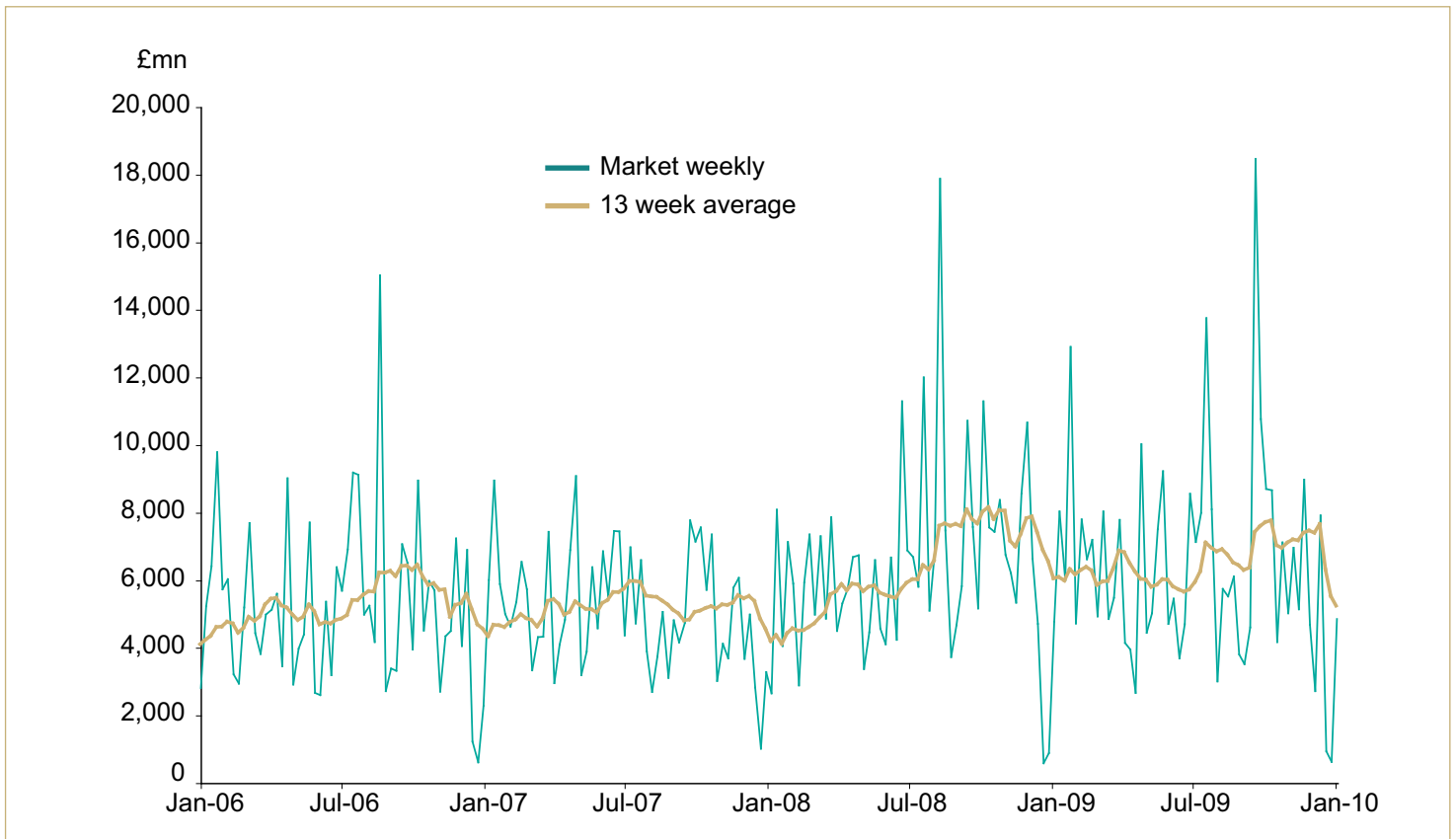
*Coupon flow numbers are for the stock of debt outstanding at end-quarter

2008-09 and 2009-10 financing requirements

(£bn)	2008-09 (Outturn)	2009-10 (Budget 09)	2009-10 (PBR)
CGNCR forecast	162.4	220.8	223.3
Redemptions	18.3	16.6	16.6
Financing for the Bank's Asset Purchase Facility	1.0	-1.0	-1.0
Financing for the Official Reserves	0.0	2.0	4.0
Debt buy-backs	2.4	0.0	0.1
Planned short-term financing adjustment	-2.5	-0.6	-0.6
Gross financing requirement	181.6	237.8	242.4
Less			
National Savings & Investments' contribution	12.5	0.0	-0.5
Net financing requirement	169.1	237.8	242.9
Gilt sales planned during the year	146.5	220.0	225.1
Change in planned Treasury bill stock	26.4	21.6	21.6
Change in Ways and Means	-3.2	-3.8	-3.8
DMO net cash position at end of financial year	1.1	0.5	0.5

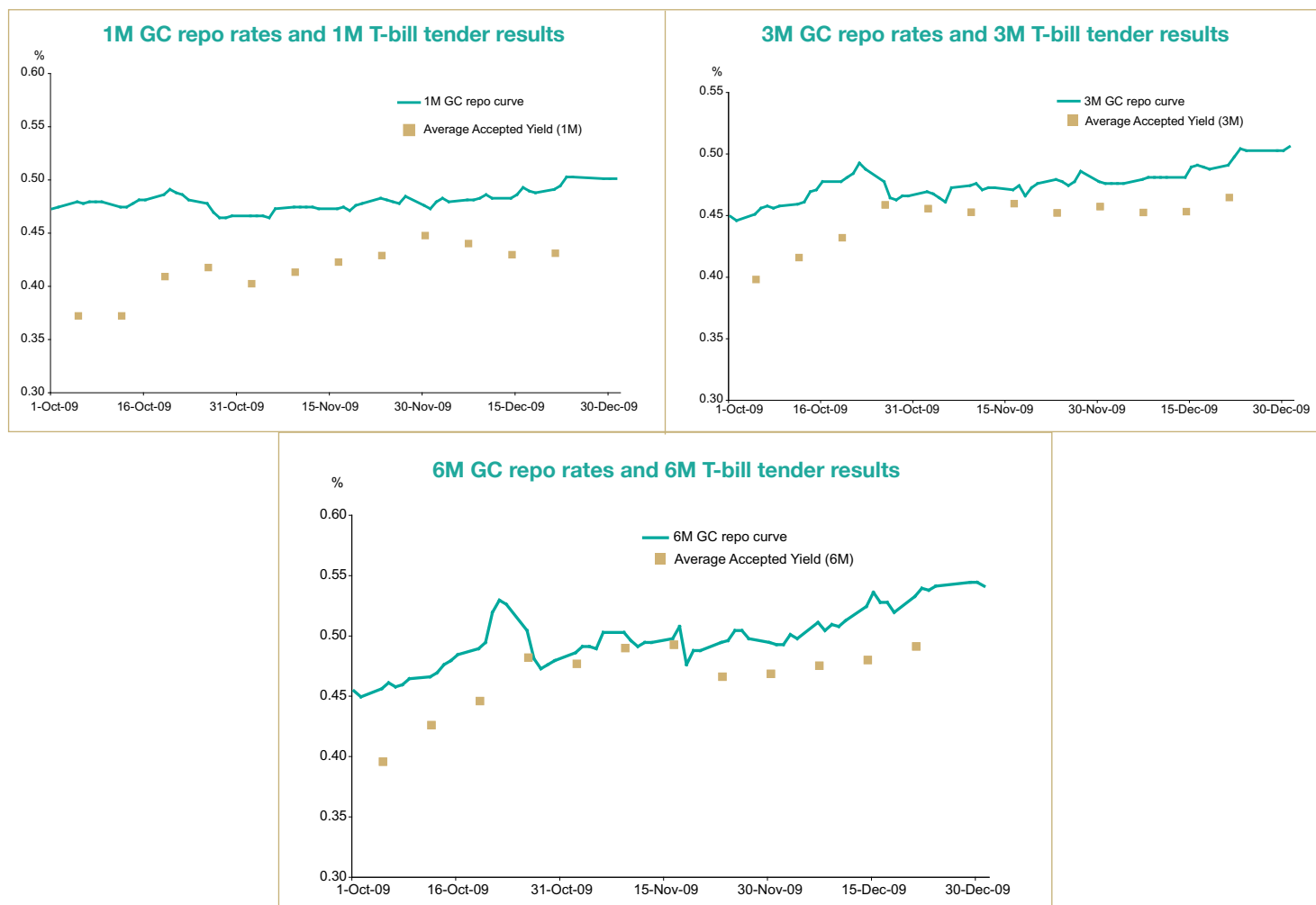
Figures may not sum due to rounding

Index-linked gilt - Weekly turnover & 13-week averages 2006-2010



*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).

Money market operations



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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/ceLogon.aspx?page=Current_Remmit&rptCode=D4E

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

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 T-bill 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

Credit Guarantee Scheme (CGS)

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

Asset-backed Securities Guarantee Scheme

http://www.dmo.gov.uk/index.aspx?page=CGS/ABS_about

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

Operational Notice – Gilt market

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

Operational Notice – Cash market

www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.pdf&page=money_markets/publication

Guidebook – GEMMs

http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook20091120.pdf&page=operational_rules/Document

Debt & Reserves Management Report 2009-10

www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0910.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>

PBR 2009: REVISION TO THE DMO'S FINANCING REMIT

1. The main changes to the DMO's financing remit for 2009-10 arising from a £5.1 billion increase in the net financing requirement announced at today's Pre-Budget Report (PBR) are:

2. Planned gilt sales will rise by £5.1 billion to £225.1 billion – split as follows:

- An increase in gilt sales at auctions of £1.1 billion, to £184.1 billion, (using proceeds raised by the Post Auction Option facility) split:
 - Short conventional: £0.2 billion (to £74.2 billion)
 - Medium conventional: £0.1 billion (to £70.1 billion)
 - Long conventional: £0.5 billion (to £27.5 billion)
 - Index-linked: £0.3 billion (to £12.3 billion)

No additional gilt auctions are scheduled for January-March 2010.

- A net increase in planned gilt sales (of long-dated conventional and/or index-linked gilts) via supplementary methods of £4.0 billion (to £41.0 billion). The current planning assumption is that proceeds from syndications will rise by £5.0 billion (to £30.0 billion) whilst sales via mini-tenders will fall by £1.0 billion (to £11.0 billion). However, total financing achieved via supplementary methods (and the splits between methods) by financial year-end will be dependent on market and demand conditions at the time the transactions are conducted. The DMO's current assumption is that there will be up to two syndicated offers in Q4 2009-10 and monthly mini-tenders.
- The planned increase in the Treasury bill stock remains at £21.6 billion, implying an end-March 2010 total of £65.6 billion. Given the market-led nature of proceeds from the supplementary issuance programmes, however, it is possible that the outturn of sales from syndications and mini-tenders may exceed (or fall short of) the planning assumptions above. In those circumstances the DMO plans to vary the Treasury bill stock (and/or levels of other short term debt) accordingly to meet the overall financing requirement.

3. The net financing requirement for the DMO has increased by £5.1 billion to £242.7 billion since Budget 2009 as a result of a combination of factors:

- An increase of £2.5 billion (to £223.3 billion) in the forecast Central Government Net Cash Requirement (CGNCR) for 2009-10
- An increase of £2.0 billion (to £4.0 billion) in assumed financing for the foreign exchange reserves;
- A reduction of £0.5 billion (to -£0.5bn) in the forecast contribution to financing by National Savings & Investments; and
- Secondary market purchases of gilts by the DMO of £0.1 billion.

4. Table 1 shows annual illustrative gross financing requirements from 2010-11 to 2014-15 using updated projections of the CGNCR plus the latest estimate of gilt redemptions in these years. These are not gilt sales forecasts and, in particular, make no assumption about the contribution to financing from National Savings & Investments and the sale of Treasury bills.

Table 1

Illustrative financing projections (£bn)					
	2010-11	2011-12	2012-13	2013-14	2014-15
CGNCR projections	174	146	118	101	81
Gilt redemptions	39	49	44	47	34
Financing requirement**	213	195	162	148	115
<i>**Illustrative gross financing requirements.</i>					
CGNCR change since Budget 09	-5	-2	-2	-3	na
Redemption change since Budget 09	0	0	10	26	5

Changes to the auction programme – utilisation of proceeds raised from the Post Auction Option Facility (PAOF)

5. The DMO's practice in the financial year to-date has been not to factor in proceeds from the PAOF to auction sizing. Total proceeds from PAOF to-date¹ are £7.0 billion, which are being fully factored into the auction programme at PBR. Firstly, £0.9 billion of proceeds raised from PAOF is being added to the totals in the auction programme as set out in paragraph 2 of this notice. The remaining £6.1 billion of PAOF proceeds to-date are being used to reduce the size of gilt auctions in the remainder of the financial year.

Additional financing raised by PAOF in auctions after PBR may be used to adjust auction sizes close to the end of the financial year, or to supplement any shortfalls in proceeds from syndications and/or mini-tenders, or to reduce the planned end-financial year Treasury bill stock.

Changes to the supplementary issuance programme

Syndicated offers

6. The DMO's current assumption is that up to two syndicated offers (of long-dated and/or index-linked gilts) will be held in the final quarter of the financial year. Syndicated offers will be sized according to the strength and quality of demand on the day of the operation. The implication is that sales from these transactions could exceed (or fall short of) the current planning assumptions above.

Mini-tenders

7. The DMO expects to hold four more mini-tenders (currently assumed to be of long-dated and/or index-linked gilts) before the end of the financial year, i.e. one per month. These plans include the tender of 4¼% 2032 scheduled for the week commencing 14 December.

Short-term debt sales/Treasury bills

8. There are no changes being announced today to planned Treasury bill sales. The planned stock-build remains at £21.6 billion this financial year, implying an end financial year stock of £65.6 billion. The DMO has operational flexibility, however, to vary the end-year Treasury bill stock subject to its operational requirements in 2009-10. One factor the DMO will consider in this respect is proceeds from supplementary issuance methods as well as proceeds from the PAOF in auctions to the end of the financial year. In the event that such proceeds look like deviating from current planning assumptions, the DMO intends that the end financial year Treasury bill stock (and/or other short-term debt levels) will be varied accordingly to meet the overall financing target.
9. Table 2 compares the structure of the original remit to the revised remit in light of the changes announced at the Pre-Budget Report.

Table 2: Remit structure: Budget 2009 and PBR 2009

Auctions	Budget	PBR
Short	74.0	74.2
Medium	70.0	70.1
Long	27.0	27.5
Index-linked	12.0	12.3
	183.0	184.1
Supplementary issuance	37.0	41.0
Total Gilts	220.0	225.1
Issuance split*		
Short	34%	33%
Medium	32%	31%
Long and index-linked	35%	36%
* Assumes all supplementary issuance is long and index-linked		

9 December 2009

¹Up to and including the gilt auction held on 8 December 2009