

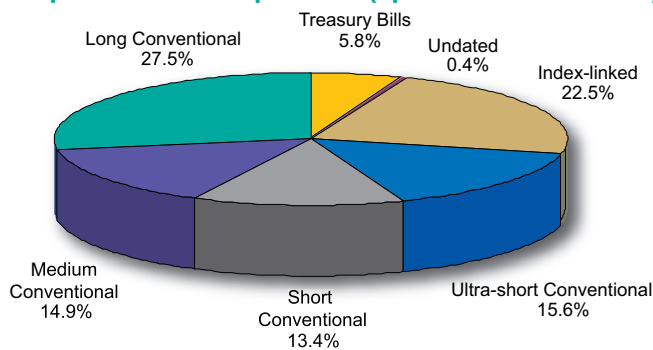


# Quarterly REVIEW

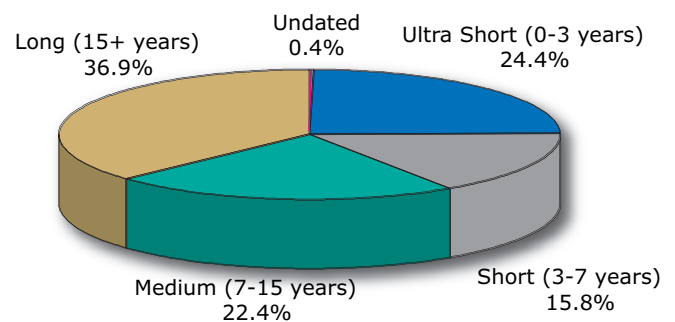
## Details of the debt portfolio at 31 March 2009

Gilt portfolio summary statistics	31 December 2008	31 March 2009
Nominal value of the gilt portfolio (including inflation uplift)	£636.55bn	£713.20 bn
<ul style="list-style-type: none"> <li>Conventional gilts (inc undated gilts)</li> <li>Index-linked gilts</li> </ul>	£472.26bn	£543.21 bn
Market value of the gilt portfolio	£719.32bn	£791.74 bn
<ul style="list-style-type: none"> <li>Conventional gilts (inc undated gilts)</li> <li>Index-linked gilts</li> </ul>	£537.02bn	£606.65 bn
Weighted average market yields:		
<ul style="list-style-type: none"> <li>Conventional gilts (inc undated gilts)</li> <li>Index-linked gilts</li> </ul>	2.91%	2.92%
Portfolio average maturity:	14.46 years	14.13 years
<ul style="list-style-type: none"> <li>Conventional gilts (exc undated gilts)</li> <li>Index-linked gilts</li> </ul>	14.14 years	13.90 years
Average modified duration:		
<ul style="list-style-type: none"> <li>Conventional gilts (inc undated gilts)</li> <li>Index-linked gilts</li> </ul>	8.82 years	8.57 years
		13.17 years

### Composition of debt portfolio (uplifted nominal value)\*



### Debt portfolio maturity split\*

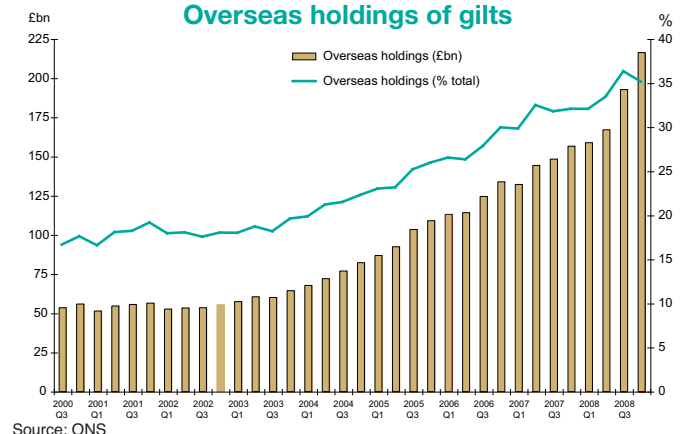


### Distribution of gilt holdings at 31 December 2008

(£millions)	at end	Q3 2008	Q4 2008
Insurance Companies and Pension Funds		226,887	245,758
Overseas		192,740	216,411
Other Financial Institutions and Other		99,492	109,833
Households		8,242	17,855
Building Societies		5,005	7,762
Local Authorities and Public Corporations		1,001	1,368
Banks**		-1,812	17,908
<b>TOTAL</b>		<b>531,555</b>	<b>616,895</b>

Source: ONS. These figures can be revised retrospectively.

### Overseas holdings of gilts

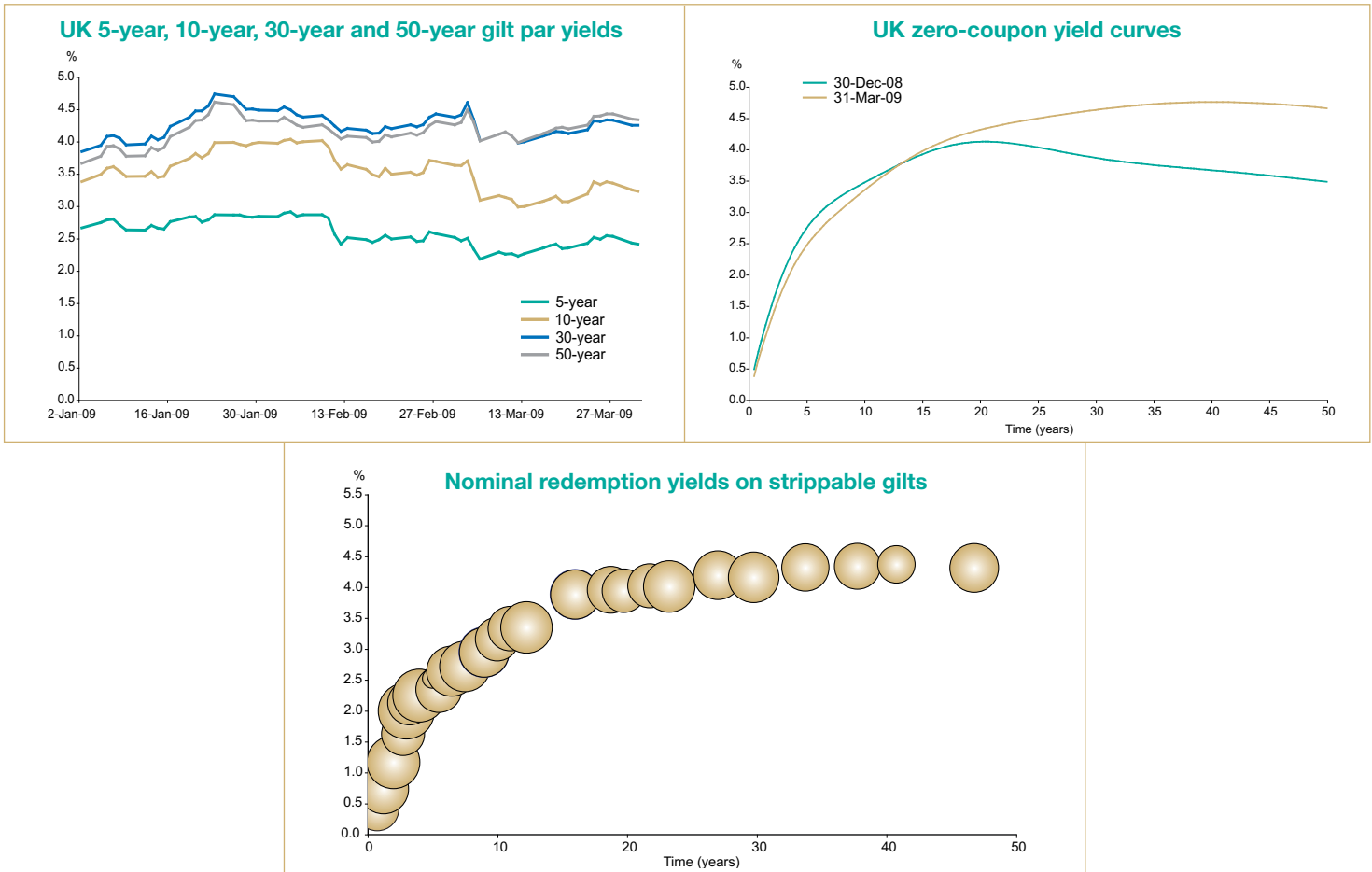


Source: ONS

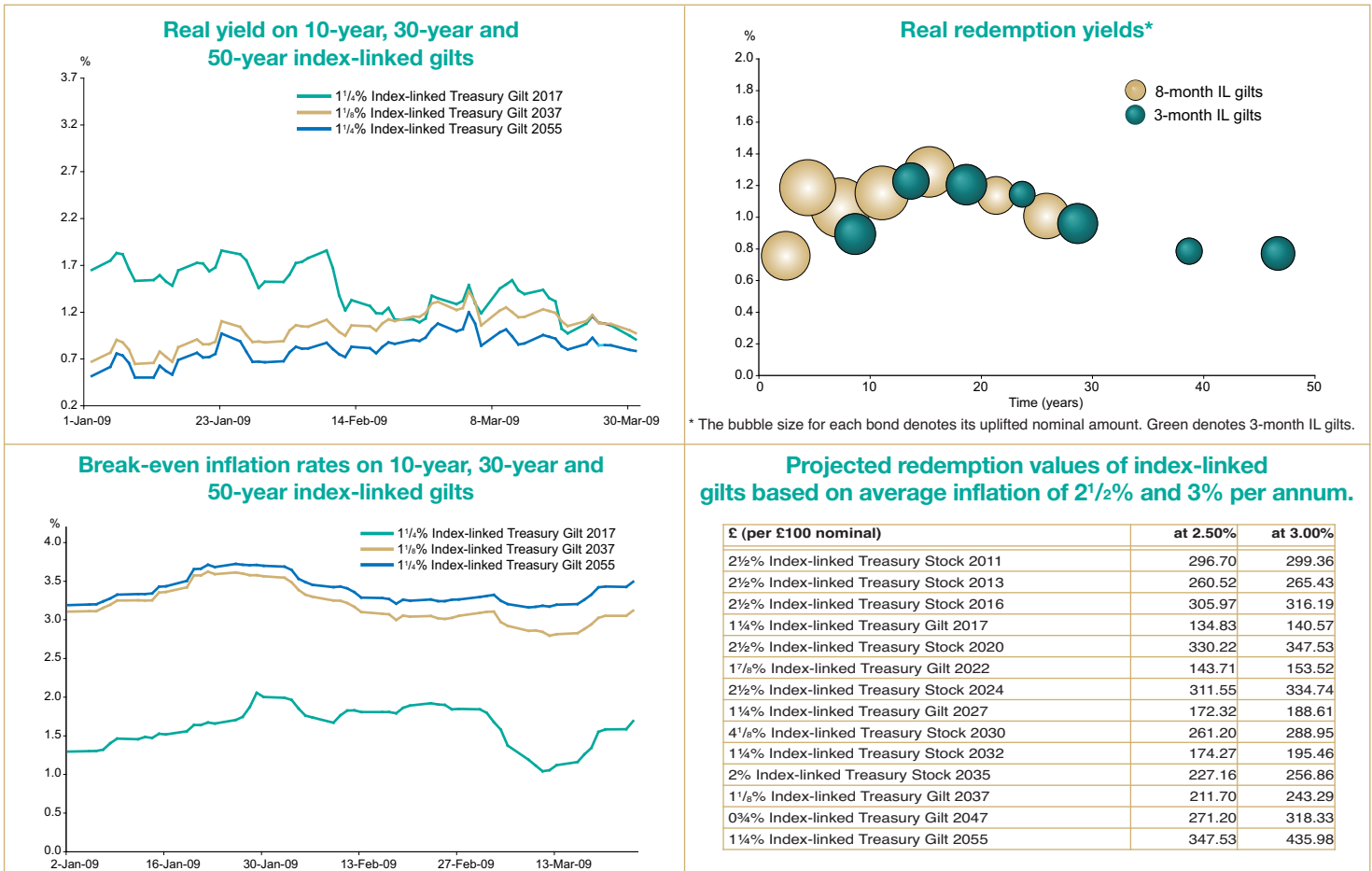
\* Figures in the pie charts may not sum due to rounding.

\*\* Repo position.

### Conventional gilts



### Index-linked gilts



## Gilt market flows (£mn)

	Gross gilt issuance (cash)	Redemptions	Coupons*	Net financing from gilts after redemptions and coupons
Jan-08	4,321	0	-963	3,268
Feb-08	5,540	0	-753	4,787
Mar-08	5,692	-14,063	-3,857	-12,228
Apr-08	8,027	0	-225	7,802
May-08	3,549	0	-522	3,027
Jun-08	7,522	0	-4,639	2,883
Jul-08	10,596	0	-1,007	9,589
Aug-08	3,371	0	-780	2,591
Sep-08	8,797	-692	-3,930	4,175
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	-5216	-4,661
Apr-09	19,375	0	-223	19,152
May-09	-	-3798	-681	-
Jun-09	-	0	-6,763	-

Figures may not sum due to rounding

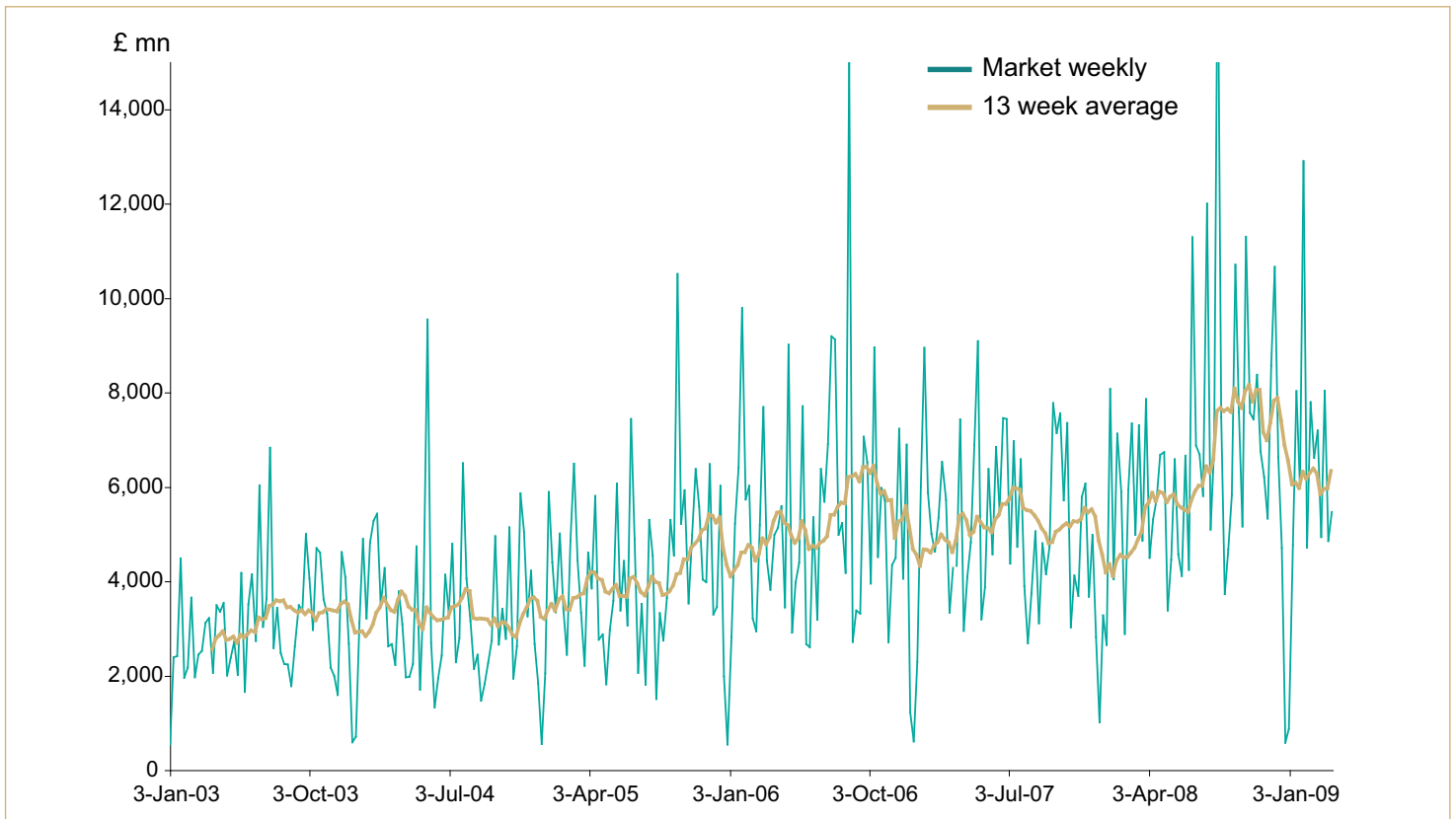
\*Coupon flow numbers are for the stock of debt outstanding at end-quarter

## 2008-09 and 2009-10 financing requirements

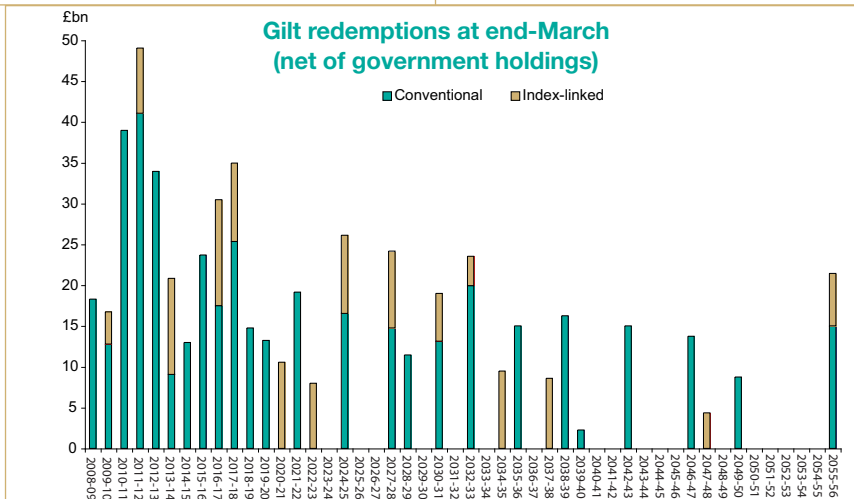
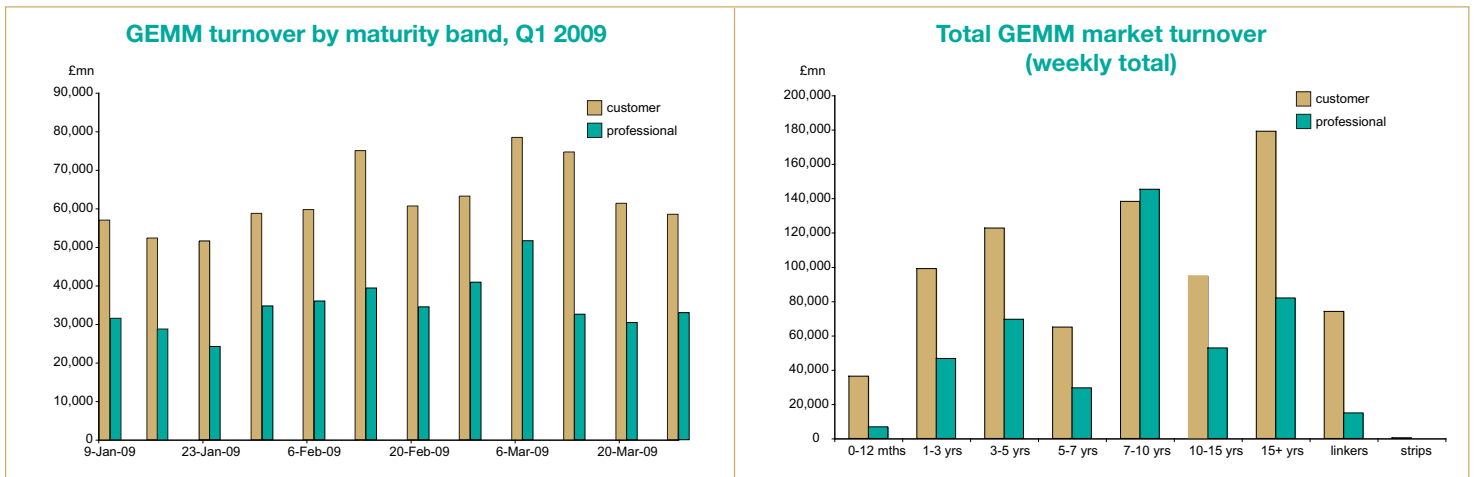
(£ bn)	2008-09 (Budget 08)	2008-09 (Outturn)	2009-10 (Budget 09)
CGNCR forecast	59.3	162.4	220.8
Redemptions	17.3	18.3	16.6
Financing for the Bank's Asset Purchase Facility		1.0	-1.0
Financing for the Official Reserves	2.0	0.0	2.0
Debt buy-backs	0.0	2.4	0.0
Planned short-term financing adjustment	4.2	-2.5	-0.6
Gross financing requirement	82.8	181.6	237.8
Less			
National Savings & Investments' contribution	4.0	12.5	0.0
Net financing requirement	78.8	169.1	237.8
Gilt sales planned during the year	80.0	146.5	220.0
Change in planned Treasury bill stock	5.8	26.4	21.6
Change in Ways and Means	-7.0	-3.2	-3.8
DMO net cash position at end of financial year	0.5	1.1	0.5

Figures may not sum due to rounding

### Index-linked gilt market turnover 2003-2009

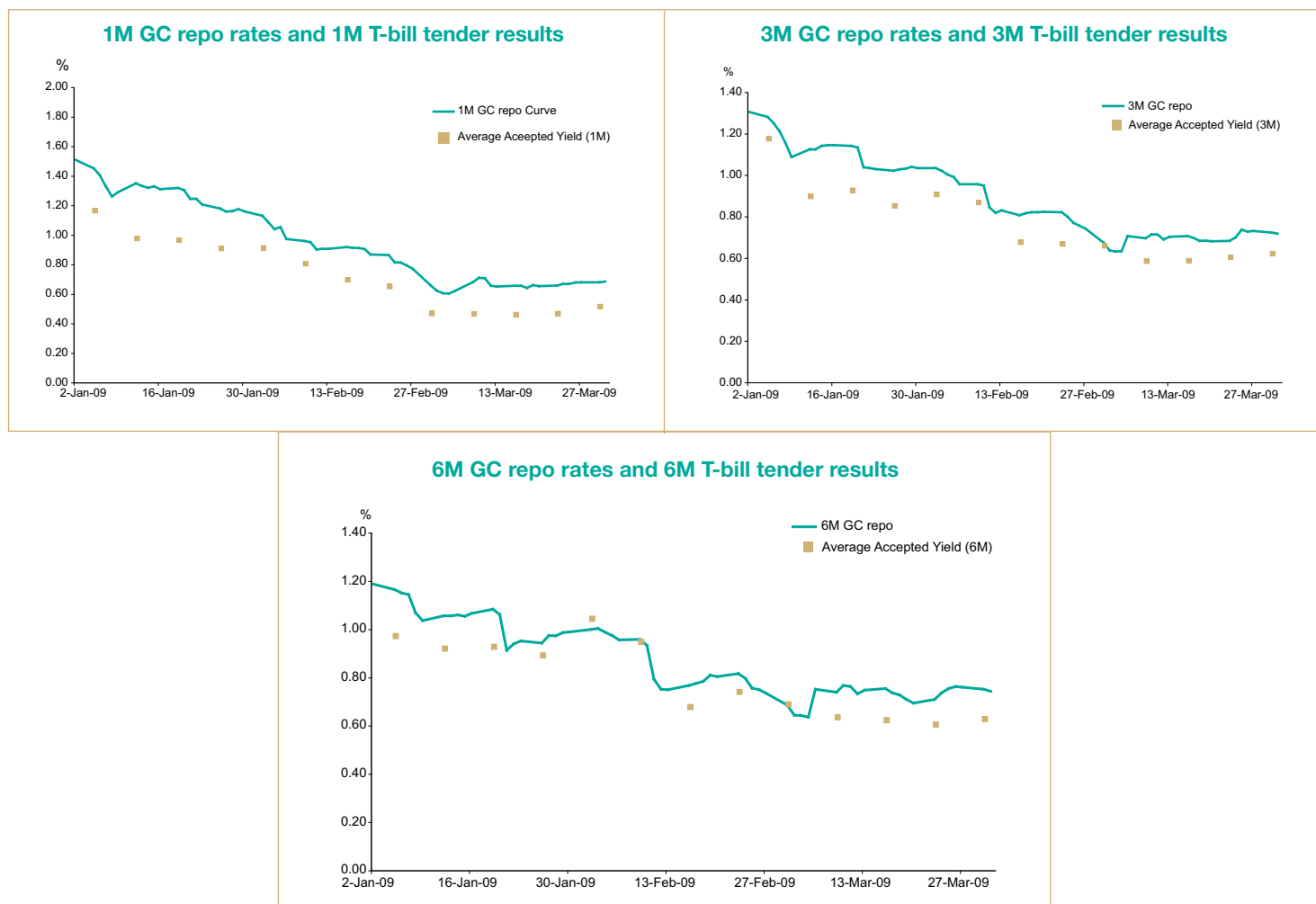


### Index-linked gilts



\*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



## Contacts

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## DMO Website: Useful Website Links

### What's New

[http://www.dmo.gov.uk/ceLogon.aspx?page=Press\\_New&rptcode=D8D](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](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](http://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](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](http://www.dmo.gov.uk/ceLogon.aspx?page=Summary_of_results&rptCode=D2.1prof7)

#### Cash sales versus the remit (updated after each auction)

[http://www.dmo.gov.uk/ceLogon.aspx?page=Current\\_Remmit&rptCode=D4E](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](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](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](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](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](http://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](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](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](http://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](http://www.dmo.gov.uk/index.aspx?page=publications/Annual_Reviews)

#### Operational Notice – Gilt market

[www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot180507.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot180507.pdf&page=operational_rules/Document)

#### Operational Notice – Cash market

[www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.pdf&page=money\\_markets/publication](http://www.dmo.gov.uk/documentview.aspx?docname=publications/moneymarkets/cmopnot110903.pdf&page=money_markets/publication)

#### Guidebook – GEMMs

[www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook180507.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/guidebook180507.pdf&page=operational_rules/Document)

#### Debt & Reserves Management Report 2008-09

[www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0809.pdf&page=Remit/full\\_details](http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0809.pdf&page=Remit/full_details)

#### Gilt prospectuses

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

#### The Official Gilt Strip Facility: A paper by the Bank of England

[www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/stripfalic.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/stripfalic.pdf&page=operational_rules/Document)

## DMO FINANCING REMIT 2009-10

The DMO's new financing remit for 2009-10<sup>1</sup> has been published today as part of the Budget 2009 announcements. The main points are summarised below.

### a) Debt issuance by the DMO

The DMO plans to raise £241.6 billion<sup>2</sup> in 2009-10 split as follows:

Gilt sales	£220.0 billion
Net Treasury bill sales	£21.6 billion

### b) Planned gilt sales

It is intended that the gilt sales target of £220.0 billion will be met through a combination of:

- £183.0 billion in 58 outright auctions;
- £25.0 billion by a supplementary programme of syndicated offerings;
- £12.0 billion in a supplementary series of gilt mini-tenders.

### c) Gilt sales split by type and operation

Planned gilt sales by type, maturity and issuance method are summarised below. The planning assumption that supplementary issuance methods will be used exclusively to issue long-dated conventional and index-linked gilts may be revised in light of developing market and demand conditions.

- £74.0 billion short-dated conventional gilts in 15 auctions.
- £70.0 billion medium-dated conventional gilts in 19 auctions.
- £27.0 billion long-dated conventional gilts in 12 auctions.
- £19.0 billion long dated conventional gilts in a combination of syndicated offerings and mini-tenders.
- £12.0 billion index-linked gilts in 12 auctions.
- £18.0 billion index-linked gilts in a combination of syndicated offerings and mini-tenders.

### d) Syndicated offerings

It is anticipated that up to eight syndicated offerings will be held in 2009-10. The DMO will discuss plans for syndications with market participants at quarterly consultation meetings and announce any intention to issue gilts via syndicated offerings as part of its quarterly calendar announcements. It is anticipated that the date and identity of a gilt to be sold by syndication will be announced approximately two weeks before the launch of the offer.

### e) Mini-tenders

The DMO envisages holding at least one mini-tender per month. The weeks in which mini-tenders are to be held will be announced in the quarterly calendar announcements with details of the gilt to be sold announced closer to the operation date, in accordance with existing practice.

### f) Post-auction option facility

Starting with the auction on 2 June 2009, the DMO will give an option to successful bidders at auctions (both GEMMs and investors) to purchase additional stock up to 10 per cent of the amount allocated to them at the auction. This option window will open at 12.00 noon on the day of the auction and will expire at 2.00pm on the day of the auction. The additional stock will be available to successful bidders at the average accepted price at conventional auctions and the single clearing (or strike) price at index-linked auctions. This facility will be in addition to the existing non-competitive facility available to GEMMs.

<sup>1</sup> A provisional financing remit was published on 18 March 2009 to meet the requirements of the Code for Fiscal Stability. It was stated at that time that a new remit would be published alongside Budget 2009 in line with the updated financing arithmetic.

<sup>2</sup> All amounts in this announcement are in cash terms (unless otherwise indicated).

### g) Treasury bill sales

The stock of Treasury bills in market hands is scheduled to rise by £21.6 billion in 2009-10 increasing the planned stock at end-March 2010 to £65.6 billion. 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 the target for 2009-10 will be reported in April 2010, along with any wider implications for the DMO's financing remit in 2009-10 arising from the publication of the outturn for the 2009-10 Central Government Net Cash Requirement (CGNCR).

### h) Changes to the financing requirement

The Debt and Reserves Management Report (DRMR) 2009-10 includes the outturn for the CGNCR for 2008-09 of £162.4 billion and a CGNCR forecast for 2009-10 of £220.8 billion. These are increases of £9.5 billion and £94.8 billion respectively from the forecasts published at PBR 2008.

#### 2008-09

The other main changes impacting on financing in 2008-09 since PBR 2008 are:

- £1.0 billion of financing for the initial phase of the Bank of England's Asset Purchase facility (financed by Treasury bill sales). These arrangements were suspended in February 2009;
- £2.4 billion of secondary market gilt purchases by the DMO (predominantly of the near maturity 2½% Index-linked Treasury Stock 2009);
- an increase of £1.5 billion to £12.5 billion in the net contribution to financing by National Savings & Investments;
- an increase of £11.9 billion (to £44.0 billion) in the end-March 2009 Treasury bill stock. This was principally due to sales of bilateral Treasury bills, £9.7 billion of which were in market hands at the end of the 2008-09 financial year; and
- the increased contribution to financing from Treasury bills resulted in an end year DMO net cash position of £1.1 billion, an increase relative to plan of £0.6 billion. This surplus is represented as a short-term financing adjustment in 2009-10 reducing the financing requirement in the current financial year accordingly.

#### 2009-10

- the redemption total for 2009-10 at £16.6 billion is lower than the £18.1 billion shown in the provisional remit, principally reflecting the impact of DMO purchases of 2½% Index-linked Treasury Stock 2009 as a near-maturity gilt in 2008-09<sup>3</sup>;
- the financing arithmetic assumes that the £1.0 billion financing for the initial phase of the Bank of England's Asset Purchase facility is repaid as the relevant bills mature in 2009-10;
- the financing arithmetic also assumes a further repayment of the Ways and Means Advance from the Bank of England of up to £3.8 billion to take the facility to its planned level of £0.4 billion.

Table 1 below shows the illustrative gross financing projections out to 2013-2014. Current gilt sales relative to the new remit are shown in Table 2.

<sup>3</sup> See Annex A below for a fuller discussion of the impact of the redemption of 2½% IL 2009 on the financing arithmetic.



Table 1: Illustrative financing projections

Illustrative financing projections				
£bn	2010-11	2011-12	2012-13	2013-14
CGNCR projections	179	148	120	104
Gilt redemptions	39	49	34	21
Financing requirement**	218	197	154	125
<b>**indicative gross financing requirements.</b>				

Table 2: Gilt sales v the new remit

Gilt sales v new remit 22 April 2009 (£ millions)					
	Conventional Gilts			Index-linked	Total
	Short	Medium	Long	gilts	
<b>Gilt sales to date</b>	<b>7,829</b>	<b>3,260</b>	<b>2,247</b>	<b>1,637</b>	<b>14,973</b>
1. Total planned sales	74,000	70,000	27,000	12,000	183,000
Sales at auctions	7,829	3,260	2,247	1,101	14,437
Sales remaining at auctions	66,171	66,740	24,753	10,899	168,563
Auctions remaining	13	18	11	11	53
2. Sales by syndication	0	0	0	0	0
Syndications to be allocated					25,000
3. Sales by tender	0	0	0	536	536
Mini-tenders to be allocated					11,464
<b>Total planned sales</b>					<b>220,000</b>

## Annex A: Index-linked uplift and the redemption of 2½% Index-linked Treasury Stock 2009

The redemption total for 2009-10 of £16.6 billion does not include the full value of the index-linked uplift on 2½% Index-linked Treasury Stock 2009. The reasons include the rules governing the Central Government Net Cash Requirement (CGNCR) which state that part of the accrued inflation uplift on any redeeming gilt representing the return to investors is included in the CGNCR in the redemption year, and the remainder is included in the redemption total for the year in which it redeems. Secondary market purchases of the gilt in 2008-09 have also reduced the redemption total and CGNCR forecast for 2009-10 accordingly.

More specifically, in cases where an index-linked gilt is re-opened (following an initial issue) any accrued uplift on that gilt that is accrued before the re-opening occurs will be treated as principal (and therefore part of the redemption total). However, any accrued inflation uplift that occurs after the re-opening of the gilt will be treated as a return to the investor and thus will be included within the CGNCR for the year in which the gilt matures.

Since all cash flows on 2½% Index-linked Treasury Stock 2009 are now known, it is possible to calculate the final breakdown between those cash flows that count towards redemptions and those that count towards the CGNCR forecast for 2009-10. The nominal amount of this gilt in issue is £3.427 billion, and the total uplifted amount by the time of redemption will be £9.503 billion, so the total uplift is £6.076 billion.

The nominal amount in issue (less Government holdings at end-March 2009 of £1.248 billion) will count toward redemptions. Of the £6.076 billion of total uplift £2.564 billion is included in redemptions and £3.530 billion is included in the CGNCR forecast for 2009-10 (but for the existence of government holdings). The value of the uplift on Government holdings, is not, however, included in either the 2009-10 redemption total or the CGNCR forecast. This reduces the amount of uplift that counts toward redemptions to £1.619 billion and the amount included in the CGNCR to £2.244 billion.

The majority of the Government holdings in 2½% Index-linked Treasury Stock 2009 were purchased by the DMO in the secondary market in 2008-09 and are included in the financing arithmetic within the £2.4 billion buy-backs total for 2008-09 (adding to the financing requirement in that year and reducing it in 2009-10); in effect, these purchases can be seen as representing an early redemption of part of 2½% Index-linked Treasury Stock 2009.