Minutes of meeting with gilt investors in Scotland on 23 January 2015

Officials from the UK Debt Management Office (DMO) and HM Treasury met representatives of Scottish-based gilt investors in Edinburgh on 23 January 2015. The meeting complemented those held at HM Treasury, in London, on 20 January 2015, and was held primarily to allow investors based in Scotland to present their views on the structure of the DMO's financing remit for 2015-16.   The gross financing requirement for 2015-16 is currently forecast to be around £171 billion. The DMO's financing remit for 2015-16 will be published alongside Budget 2015 on 18 March 2015.

The main points associated with the financing remit for 2015-16, as discussed at the meeting are summarised below:

The prevailing period of market volatility and uncertainty was noted. In these circumstances it was generally felt that radical departures from the prevailing structure of the financing remit would not be productive. In particular, it was thought that the current split of issuance between conventional and index-linked gilts was generally appropriate.

There was some discussion about market conditions, and the view was expressed that liquidity in the market was more often prevalent around individual sales operations, be they auctions or syndications.

No strong views were received on the case for significantly revising the maturity structure of conventional issuance in 2015-16. It was also felt that demand for longer dated maturities was currently stronger in the 30-year area of the curve than the ultra-long sector.

It was suggested that sales of Treasury bills could also be increased.

In terms of design of instruments, it was noted by some that the growth of CPI linkage within the pension industry was increasing the case for the launch of CPI (or CPIH) linked gilts in the future (it was suggested that the case for their introduction was not necessarily pressing now, but that it was likely that the case for their introduction would increase with the passage of time).