

CREATION OF GILT COLLATERAL IN CONNECTION WITH THE BANK OF ENGLAND'S DISCOUNT WINDOW FACILITY

In connection with the launch of the Bank of England's Discount Window Facility (DWF), the operation of which was announced separately by the Bank yesterday, HM Treasury has agreed that on Wednesday, 22 October 2008, an approximate additional £50,000 million (cash) of gilt collateral will be created and issued to the DMO.

The additional collateral will be held on the Debt Management Account (DMA) by the DMO and will not be sold or issued outright into the market.

The collateral to be created will comprise £47,752 million (nominal) of conventional gilts (excluding gilts maturing within one year, double-dated, undated and rump gilts), with the increase in size of individual gilts ranging from £324 million (nominal) to £2,467 million (nominal). The amounts have been chosen to have a negligible effect on relevant indices.

As set out in the Bank of England's market notice published yesterday, gilts used in the DWF will only be used in delivery-by-value (DBV) transactions, or, at the Bank's discretion, in repo transactions. The DWF is not a facility to obtain particular gilts, for example, those trading 'special' in the repo market. That would be contrary to the purpose of the facility and could interfere with government debt management policy and operations, as conducted by HM Treasury and the DMO.

The DMA is a government account that has statutory powers to provide facilities for public bodies (such as the Bank of England) to acquire gilts. The relevant power is contained in Paragraph 1D of Schedule 5A of the 1998 Finance Act.

A table showing the nominal amounts of each gilt to be created, with the revised nominal amounts of gilts in issue (rounded to the nearest £1 million) is published below.

21 October 2008

Additional gilt collateral to be issued on 22 October 2008		
	<u>Collateral (£mn)</u>	<u>New amount in issue (£mn)</u>
<u>Conventional gilts</u>		
5¾% Treasury Stock 2009	1,617	14,096
4¾% Treasury Stock 2010	2,220	19,357
6¼% Treasury Stock 2010	701	6,111
4¼% Treasury Gilt 2011	2,467	21,509
9% Conversion Loan 2011	763	6,650
5% Treasury Stock 2012	2,372	20,683
5¼% Treasury Gilt 2012	1,380	12,034
4½% Treasury Gilt 2013	1,726	15,049
8% Treasury Stock 2013	874	7,619
5% Treasury Stock 2014	1,845	16,084
4¾% Treasury Stock 2015	1,838	16,023
8% Treasury Stock 2015	1,043	9,092
4% Treasury Gilt 2016	1,818	15,850
8¾% Treasury Stock 2017	1,095	9,551
5% Treasury Gilt 2018	1,991	17,360
4½% Treasury Gilt 2019	324	2,824
4¾% Treasury Stock 2020	1,446	12,612
8% Treasury Stock 2021	2,366	20,631
5% Treasury Stock 2025	2,180	19,006
4¼% Treasury Gilt 2027	1,818	15,850
6% Treasury Stock 2028	1,662	14,489
4¾% Treasury Gilt 2030	1,467	12,792
4¼% Treasury Stock 2032	2,333	20,342
4¼% Treasury Stock 2036	2,110	18,395
4¾% Treasury Stock 2038	2,014	17,561
4½% Treasury Gilt 2042	1,994	17,388
4¼% Treasury Gilt 2046	1,851	16,143
4¼% Treasury Gilt 2049	583	5,083
4¼% Treasury Gilt 2055	1,854	16,163
	47,752	

