

24/99

29 July 1999

PRESS NOTICE

TRANSFER OF UK GOVERNMENT'S CASH MANAGEMENT

The United Kingdom Debt Management Office's ("DMO's") press release of 16 April 1999 (reference 11/99) provided an update on the progress and timing of the transfer of Exchequer cash management to the DMO. This press release provides a further update on the intended timing of transfer, announces the publication of the Exchequer cash management operational notice and seeks expressions of interest in becoming a counterparty of the DMO.

Timing of transfer

The April press release noted that the DMO was broadly on track, as far as the transfer timetable was concerned, but indicated that we would be discussing the preferred start date with the Bank of England, the Financial Services Authority, relevant representative associations and market participants. We have now completed this process and have listened carefully to the views expressed in these discussions. In particular, there was a widespread view that, although the systems changes for counterparties would not be extensive, it would be preferable for the DMO to delay the start date to avoid the last quarter of the year when systems changes should be kept to a minimum, management attention will be primarily focussed on the year end and cash market liquidity may possibly be reduced. We fully accept this concern but equally would not want to delay the transfer any longer than necessary. We therefore intend to effect the transfer on a phased basis as set out below; the precise dates of each phase will be notified in due course.

Date

November 1999

Operation

The Debt Management Account ("DMA") will take over from the Gilt-edged Official Operation Account (GOOA) as the official Treasury account for debt (and later cash) management transactions. We will also be moving to new internal systems. There will be little



discernible difference for market participants as a result of this change, and no management or systems implications for them.

January 2000

The DMO intends to assume responsibility for the processing of structured (ie weekly) Treasury bill tenders, although the Bank of England will retain responsibility for advising the Treasury on the size of bill issuance until the full transfer of cash management has taken place. Tenders would, however, be conducted according to the conventions set out in the Exchequer cash management Operational Notice (see below). Bids will therefore need to be made in yield terms and successful tenders will be settled on a t+1 basis. From this change, Treasury bills will be issued from the new DMA rather than directly from the National Loans Fund.

February 2000

The DMO intends to undertake a limited range of bilateral transactions (potentially including repo, reverse repo and outright purchases and sales) with counterparties with the intention of smoothing part of the Exchequer component of the Bank's money market forecast. The Bank will however, retain responsibility for meeting the overall money market shortage.

End Q1 2000

The DMO intends to assume full responsibility for Exchequer cash management. This will mean that the DMO will make use of the full range of operations set out in the Exchequer cash management Operational Notice, including ad hoc tenders, and that the end of day banking arrangements¹ would be invoked.

Exchequer cash management Operational Notice

The Exchequer cash management Operational Notice, which sets out the broad framework of the DMO's intended cash management operations, has been issued today. It contains further

¹ Broadly as set out in the DMO's cash management framework document issued in December 1998. Although the position will be kept under review, it is now not thought necessary to put the settlement bank overdraft facility in place at this stage.



information on the range of cash management operations which the DMO intends to undertake and also provides details on how a counterparty relationship may be established with the DMO.

Counterparties

Expressions of interest in becoming a counterparty of the DMO should be made to the DMO (0171-862 6500 asking for Mike Ness or Jim Juffs). The first stage in the process would be to meet to discuss the potential for a working relationship. The DMO looks forward to getting this process underway as soon as possible in order that it may be completed by 30 September 1999. The next stage would be the completion of the legal documentation. As indicated above, the systems changes required for counterparties are unlikely to be extensive and will involve installing a direct telephone line to the DMO's dealing desk, adding the DMO's name as a counterparty and having the facility to bid in yield at structured and ad hoc tenders. Counterparties will also need to sign the DMO's repo agreement and other documentation.

NOTE TO EDITORS

This press notice provides details of the transfer of responsibility for Exchequer cash management to the DMO which was initially set out in the Chancellor of the Exchequer's letter to the Governor of the Bank of England of 6 May 1997. This letter set out details of the new monetary policy framework and the transfer of sterling government debt and cash management responsibilities from the Bank to the Treasury. The DMO, an Executive Agency of the Treasury, took over responsibility for sterling UK Government debt management on 1 April 1998.

The documents referred to in this press release are available on request from the DMO and are also available on the DMO's website (www.dmo.gov.uk).

