Minutes of meeting with gilt investors in Scotland on 17 January 2014

Officials from the UK Debt Management Office (DMO) and HM Treasury met representatives of Scottish-based gilt investors in Edinburgh on 17 January 2014. The meeting complemented those held at HM Treasury, in London, on 13 January 2014, and was held primarily to allow investors based in Scotland to present their views on the structure of the DMO's financing remit for 2014-15. The gross financing requirement for 2014-15 is currently forecast to be around £167 billion. The DMO's financing remit for 2014-15 will be published alongside the Budget on 19 March 2014.

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

It was felt that the market had become accustomed to high levels of gilt supply and so far seemed to be adjusting to the transition to a rising rates environment in an orderly way. In this context it was noted that the current remit had worked well, and no significant changes were proposed to the split of issuance for 2014-15 or to the distribution structure.

Ongoing pension industry and LDI demand for index-linked gilts was noted and it was suggested that it would be possible to increase the size of index-linked auctions. There were mixed views about the attractiveness of introducing CPI-linked gilts in the near term. The growing proportion of CPI-related liabilities was noted, but it was also suggested that given the alignment between RPI and CPI it is possible to match CPI liabilities by a combination of an RPI bond and swaps.

Regarding long issuance, some caution was expressed about the prospect of continually lengthening the average duration of the UK Government debt portfolio which was already significantly longer than that of other governments. The Government's preference to mitigate near-term re-financing risk was, however, noted.

The use of Treasury bills as a buffer to protect the 2013-14 gilt sales programme at the Autumn Statement was welcomed. It was proposed this feature should continue in the event of a future in-year reduction to the financing requirement - to which end it seemed sensible to plan to re-build Treasury bill stock levels in the 2014-15 remit.