

5 December 2012

## **PRESS NOTICE**

### **SUPER-LONG AND PERPETUAL GILTS: RESPONSE TO CONSULTATION**

The United Kingdom Debt Management Office (“DMO”) announces that after thorough consideration and taking into account the feedback received in response to its recent consultation on super-long and perpetual gilts, the Government has taken the following decisions:

- **to remove the current maturity cap on gilt issuance set at around 50 years;**
- **in 2013-14 to look to launch new issuance in the 50-60 year area, subject to demand and market conditions; and**
- **not to introduce new perpetual gilts at the current time.**

The Government judges that issuance of super-long gilts with maturities in excess of 50 years could represent cost-effective financing for the Exchequer, whilst contributing to effective risk management of the Government’s debt portfolio. However, it recognises that the strength of demand for these instruments is uncertain and that a cautious approach to issuance and, therefore, to extension of the yield curve is appropriate.

As such, and consistent with the Government’s debt management strategy, it anticipates that in 2013-14 the DMO will look to launch new issuance in the 50-60 year area, subject to demand and market conditions. Decisions on specific maturities and timing of issuance in-

year would be taken by the DMO after consultation with the market through the normal channels.

In the case of perpetual gilts, the Government judges that these would be unlikely to represent a cost effective source of financing at present. Therefore, the Government will not introduce new perpetual gilts at the current time. The Government's current approach to the existing undated gilts remains unchanged.

## **NOTES TO EDITORS**

On 25 May 2012, the DMO launched a consultation on the issuance of super-long and perpetual gilts to build an evidence base to inform a decision whether or not to issue such instruments. The consultation ran for 12 weeks and closed on 17 August 2012.

In total, 44 written responses were received. Respondents provided a range of views in response to the questions in the consultation, and set out a number of pertinent issues for the Government to take into account in making decisions on whether it should proceed with issuance of super-long and/or perpetual gilts.

In terms of market feedback on super-long gilts, respondents in general suggested that any potential demand for issuance would be concentrated at maturities slightly longer than those currently in issue (e.g. 60-year), with demand more limited for much longer maturity gilts.

The consultation yielded little evidence of demand for perpetual gilts, in the absence of a natural investor base for such instruments. Given the limited demand anticipated for perpetual gilts, they were expected to be relatively expensive when compared against existing instruments, and were unlikely to represent a cost effective source of financing for the Government at the current time.

The consultation response document is available at:

<http://www.dmo.gov.uk/documentview.aspx?docName=publications/giltmarket/consultationpapers/cons20121205.pdf>