

## DMO SURVEY ON REMIT FLEXIBILITY

The DMO financing remit for 2006-07 includes temporary modifications which introduce an element of flexibility into the remit. The modifications - the introduction of a core gilt issuance programme of £53.0 billion and a supplementary issuance programme of £10.0 billion (to be allocated on a quarterly basis throughout the year in a broadly even-flow manner) have now been implemented for the first three quarters of 2006-07, as detailed in the table below.

<b>Planned gilt sales (£bn)</b>	<b>63.0</b>	<b>Q1</b>	<b>Q1</b>	<b>Q2</b>	<b>Q2</b>	<b>Q3</b>	<b>Q3</b>
		<b>Additional Allocated</b>	<b>Updated programme</b>	<b>Additional Allocated</b>	<b>Updated programme</b>	<b>Additional Allocated</b>	<b>Updated programme</b>
<b>Core issuance programme</b>							
Conventional							
Short	10.00		10.00		10.00		10.00
Medium	10.00		10.00		10.00		10.00
Long	17.00	2.50	19.50	1.25	20.75	2.50	23.25
	<b>37.00</b>		<b>39.50</b>		<b>40.75</b>		<b>43.25</b>
Index-linked	16.00		16.00	1.25	17.25		17.25
<b>Total</b>	<b>53.00</b>	<b>2.50</b>	<b>55.50</b>	<b>2.50</b>	<b>58.00</b>	<b>2.50</b>	<b>60.50</b>
<b>Gilt sales to be allocated</b>	<b>10.00</b>		<b>7.50</b>		<b>5.00</b>		<b>2.50</b>

Paragraph 4.2 of the Debt and Reserves Management Report 2006-07, published by HM Treasury in March 2006 said that: *“The DMO will seek market feedback from market participants during the course of 2006-07 on the impact on the gilt market of these temporary changes to the financing remit with a view to informing the Government’s decisions about the DMO’s financing remit in 2007-08”*. The questionnaire below seeks to implement that undertaking<sup>1</sup>.

**The DMO would welcome feedback by Friday 27 October 2006<sup>2</sup>**. Feedback should be provided to Steve Whiting ([steve.whiting@dmo.gsi.gov.uk](mailto:steve.whiting@dmo.gsi.gov.uk) / tel 0845 357 6532). However, the DMO would also appreciate and indeed encourage market participants to provide bilateral feedback to the DMO, should they so wish. Market participants should contact Steve Whiting (as above) or Sarah Ellis ([sarah.ellis@dmo.gsi.gov.uk](mailto:sarah.ellis@dmo.gsi.gov.uk) / tel 0845 357 6525) to arrange a date and time of meeting.

<sup>1</sup> This questionnaire is being sent to all GEMMs, to the main investor representative bodies and individual investors involved in the regular consultations with the DMO.

<sup>2</sup> You should note that the DMO is subject to the provisions of the Freedom of Information Act 2000 and consequently information disclosed by us in response to the requests for information under the Act could enter the public domain. If you intend to provide information that is commercially sensitive please mark it as such and we will endeavour not to disclose it to the extent that such non-disclosure is permissible under the Act.

## Questions

1. The introduction of limited remit flexibility was designed to allow the DMO to increase its ability to respond to substantial changes in market conditions and patterns of demand throughout the current financial year. Do you think that those objectives have been met?  
Yes  No
2. Do you think that the introduction of limited remit flexibility has been a positive development?  
Yes  No
3. If you answered no, could you say why?
4. Could you indicate whether you think that the amount of supplementary issuance (£10bn) has been
  - a) about right
  - b) too much  or
  - c) too little

Could you say why?

5. The introduction of the remit flexibility meant that a proportion of the allocation of the Government's gilt sales plans was not known at the beginning of this financial year. Do you think that this has impacted adversely on your perception of a predictable and transparent issuance regime?  
Yes  No

If yes, could you say how?

6. Do you think that announcing the quarterly auction calendars a month earlier than before has produced benefits for the market?  
Yes  No

Could you expand on your opinion, and are you in favour of continuing this innovation in 2007-08?

7. Did you understand the basis on which the DMO has made the allocations of supplementary issuance in the first three quarters of this financial year?  
Yes  No  or
8. Do you think that the DMO has provided clear explanations of its decisions to allocate the supplementary issuance in the first three quarters of the financial year?  
Yes  No

9. If you answered no to question 7 or 8, could you indicate in what ways the DMO might have acted to provide clearer explanations of its decisions to allocate the supplementary issuance.
10. Do you think that the new remit commitment to regular issuance of conventionals at key maturities (5- and 10- year) combined with regular issuance of at long maturities (both conventional and index-linked) has been beneficial for the market?  
Yes  No

Could you expand on your opinion, and are you in favour of continuing this innovation in 2007-08?

11. Has the introduction of the remit commitment to regular pattern of issuance impacted positively on your perception of a predictable and transparent issuance regime?  
Yes  No
12. The limited remit flexibility was intended to be a temporary change in response to difficult market conditions at the beginning of this year. Do you think that there is a case for the remit flexibility to be carried forward into 2007-08 or beyond?  
Yes  No
13. If you answered yes to question 12, please say why.
14. Should any future element of flexibility be implemented in the same way as in 2006-07?  
a) same as 2006-07   
b) different from 2006-07
15. If you answered "different from 2006-07" in question 14, could you say in what ways you think it should be different?
16. Do you think the quarterly consultation meetings are the best forum for discussing the implementation of remit flexibility?  
Yes  No
17. If you answered no to question 16 could you say how you would prefer to see consultation with the market handled?
18. If you have you any other comments on the impact of these changes on the delivery of the remit in 2006-07, could you please elaborate on them?