

United Kingdom
**Debt
Management
Office**

Eastcheap Court
11 Philpot Lane
London EC3M 8UD

Tel. 0845 357 6500
Fax. 0845 357 6504

**DEBT MANAGEMENT ACCOUNT
DEPOSIT FACILITY –
OPERATIONAL NOTICE**

Version 4 Issued November 2004

Introduction

This Operational Notice (“ON”) sets out the arrangements for the Debt Management Account Deposit Facility (“DMADF”) and indicates how the UK Debt Management Office (“DMO”) will interact with participants.

Any questions on the ON should be addressed to Chris Ryan (0845 357 6527; e-mail chris.ryan@dmo.gsi.gov.uk) or Ian Spridgeon, (0845 357 6530; e-mail ian.spridgeon@dmo.gsi.gov.uk).

Vires

1. By applying to join the DMADF, the organisation represents to the DMO that it has satisfied itself that it has the necessary powers, and has gone through the appropriate internal procedures, to allow it to invest with the DMADF.

Objectives of the DMADF

2. The DMO provides the service as part of its cash management operations and of a wider series of measures designed to improve local and central government's investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

Debt Management Account

3. All deposits taken will be placed in, and interest paid from, the Debt Management Account ("DMA"). The DMA, for which the DMO's Chief Executive is the Accounting Officer, is administered by the DMO. All deposits will be guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.¹

Products

4. The products on offer will be fixed-term deposits. Products may be revised from time to time, at the DMO's sole discretion, in which case participants will be given prior notice of any changes affecting them.

¹ The DMA, which brings to account all the DMO's market transactions, was established by the Finance Act 1998. The Act expressly provides that there is recourse to the National Loans Fund and then to the Consolidated Fund in respect of payments charged on or made out of the DMA.

5. By making a deposit, a participant enters into a contractual obligation to deposit sums in the DMA for the amount and for the period agreed. Deposits shall not be returnable until this agreed period expires.
6. The DMO will, on request, quote market-related rates to participants for any fixed term deposit (ranging from overnight to six months) that matures on a UK business day. Rates will be for same-day settlement.
7. The minimum deal size will depend on the length of maturity of the deposit (see table below); there will be no maximum deal sizes.

Minimum deal size (£000s)	Maturity
1,000	Up to and including 1 week
500	Up to and including 2 weeks
250	Beyond 2 weeks

Interest

8. Principal and interest for all deposits will be returned on the final maturity dates of the deposits. All interest will be calculated on a sterling money market basis (actual / 365 days).

Dealing times

9. On each UK business day, the DMO will be available from 8 am to 2 pm to quote rates for overnight deposits and from 8 am to noon for all other term deposits.

Dealing arrangements

10. The key features of the operation of the DMADF are as follows:

- A dedicated telephone number that goes directly to the DMO's dealing desk is given to participants.
- Telephone deals with the DMO will be irrevocable.
- Telephone conversations with the DMO's dealing desk will be recorded.
- The DMO's record of a deal will prevail in the event of any dispute or misunderstanding.
- Deals cannot be made by e-mail.
- Deposits are accepted in sterling only.
- Every participant will endeavour to comply fully with all applicable legislation, including anti-money laundering legislation and regulations, in all transactions and in its business relationship with the DMO. Participants should take their own advice on this issue as necessary.
- The DMO reserves the right, without notice, temporarily to suspend the acceptance of all or any new deposits for any period, but such suspensions will not affect the terms on which any outstanding deposits have been accepted. The DMO also reserves the right, at any time to terminate, the operation of the DMADF but will use its best endeavours to give reasonable prior notice in writing.
- If the DMO is unable to process deposits (including crediting of interest), withdrawals or repayments of principal and interest on maturity, because of circumstances beyond its control, principal and interest claims will not be met while those circumstances prevail although the DMO will endeavour to complete such processing at the earliest opportunity. Interest will only accrue from the time moneys are received into the DMA, regardless of the time or date on which they were dispatched. DMO will pay interest on delayed payments of principal and interest.

Authorised dealers

11. A list of dealers authorised to take deposits on behalf of the DMO will be provided to applicants on acceptance as participants in the DMADF. An up to date list will be sent to each participant following any amendment. Further copies will be available upon request from the DMO.
12. For each participant, the DMO requires the names and contact details of all authorised dealing staff before any deposits can be accepted.

Settlement arrangements

13. The key features of the settlement arrangements are as follows:
 - Once a deal has been struck, the DMO settlements team will telephone the participant to confirm the details of the transaction. A written confirmation will be generated for each trade and faxed to the participant.
 - The DMO must receive deposits from participants by way of CHAPS payments to the DMADF account at the Bank of England (sort code: 10-18-29; account number 22573569) by 2.30pm on the settlement date.
 - Telephone conversations with the DMO's settlements team will be recorded.
 - Repayment of deposits will be made by either CHAPS or BACS and the DMO will endeavour to ensure repayments of principal and interest are made by midday on the relevant maturity dates.
 - The DMO will require, as part of the application process, the names and contact numbers of all key settlement staff and also standard settlement instructions in respect of each participant. Updates will be required as soon as changes are known.
14. For any enquiry regarding settlement issues, please contact Neil Corkill (0845 357 6565 e-mail neil.corkill@dmo.gsi.gov.uk). The DMO's settlement fax number is 0845 357 6504.

Other issues relating to this Operational Notice

15. The ON and each transaction shall be governed by and construed in accordance with the laws of England.
16. The DMO may change this ON from time to time and the acceptance of this ON will be deemed also to be acceptance of any future changes. The DMO will endeavour to give adequate notice of any material changes and, where considered appropriate, to consult participants and others on proposed changes.
17. All transactions entered into in relation to this facility will be treated as confidential by both parties.