

With effect from 22 March 2006, paragraph 66 is amended to remove the reference to the use of switch auctions to facilitate index tracking when a particular gilt is about to fall out of a significant maturity bracket. Paragraph 66 now reads:

*66. Switch auctions were designed to allow the DMO, and the market, to execute large-scale switches out of one gilt into another. This process involves the cancellation of the relevant amount of the source gilt and the creation of an extra corresponding amount of the destination gilt. Switch auctions may be employed in various circumstances – (a) to maintain a supply of current benchmark gilts in a low issuance environment, or (b) to allow the DMO to smooth the immediate gilt redemption profile. The decision on whether or not to offer a switch auction is entirely at the discretion of the DMO, but any planned operations (date of auction and gilts involved) will be announced in the regular funding announcement.*

---

<sup>1</sup> 'A Guide to the Roles of the DMO and Primary Dealers in the UK Government Bond Market', December 2004.