

TERMS OF REFERENCE FOR THE FEASIBILITY STUDY

The feasibility study will examine the benefits and costs of the case for the Government to become a sovereign issuer of wholesale sterling Islamic financial instruments and the practical and legal implications of doing so. The feasibility study should take account of:

- the Government's debt management policy of minimising long-term costs of debt issuance while taking into account risk;
- the size and nature of potential demand for UK Government wholesale sterling Islamic financial instruments;
- the potential cost and risk characteristics of wholesale sovereign Islamic financial instruments including in relation to the cost and risk characteristics of the Government's debt portfolio;
- any implications for the Government's established financing strategy;
- the experience of other sovereign issuers of wholesale Islamic financial instruments; and
- the impact on the markets, including the development of London as an international centre for wholesale sterling Islamic financial instruments.

There should be consultation with the HM Treasury's 'Islamic Finance Experts Group' and other experts as necessary.

The results of the feasibility study will be reported in the 2007 Pre-Budget Report.

Those wishing to present views on whether Government should become an issuer of wholesale sterling Islamic financial instruments should in the first instance contact either HM Treasury or Debt Management Office officials listed below:

Peter Symons
Debt and Reserves Management Team
HM Treasury
1 Horse Guards Road
London SW1A 2 HQ
peter.symons@hm-treasury.x.gsi.gov.uk

Arnaud Marès
Head of Policy
UK Debt Management office
Eastcheap Court
London EC3M 8UD
arnaud.mares@dmo.gsi.gov.uk