

United Kingdom
**Debt
Management
Office**

Electronic Auctions

Consultation Document

March 2004



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2 Introduction

The UK Debt Management Office (DMO) proposes to introduce electronic bidding for gilt auctions, Treasury Bill tenders and certain other market operations during 2005. Submission of bids by means of an electronic system will replace the current practice of bids being submitted to the DMO's dealing desks by telephone.

This consultation paper describes the key characteristics that the DMO would expect in an electronic bidding system and identifies some possible consequences for the conduct of its auctions and tenders. However, it is not based upon the presumption of any specific technical solution. The DMO has researched a number of systems currently used by other sovereign and agency issuers to identify its generic requirements and is separately undertaking an assessment of the various procurement options in order to deliver a system that meets its agreed requirements and offers value for money. The purpose of this consultation paper is to confirm the requirements with the market.

Comments on the proposals set out in this consultation paper should be sent by 30 April 2004 to:

Jason Phillips	
UK Debt Management Office	Tel: 020 7862 6543
Eastcheap Court	Fax: 020 7862 6509
11 Philpot Lane	E-mail: jason.phillips@dmo.gsi.gov.uk
London EC3M 8UD	

The DMO will aim to publish a response to the comments received by end April 2004. The DMO does not propose to publish any of the individual responses although it may wish to identify the institutions that have responded. Please state in your response if you do not wish your institution to be identified as a respondee.

3 The DMO's use of auctions

Since its inception the DMO has used auctions and tenders as its principal means for the issuance of gilts and Treasury bills respectively. Additionally, auction techniques are used for portfolio management operations (e.g. reverse auctions and switch auctions) and exceptionally for market management (e.g. tap tenders).

The frequency of gilt auctions is determined by the financing requirement each year. In 2003-04, the DMO will carry out 24 gilt auctions: 16 conventionals and 8 index-linked. Telephone bidding at gilt auctions is restricted to Gilt-Edged Market Makers (GEMMs). There are 16 GEMMs for conventional gilts; of which 11 also act as GEMMs in index-linked gilts.

The DMO conducts Treasury bill tenders each Friday for cash management purposes. Different maturity bills are offered for tender simultaneously. 1 and 3 month bills are offered each week; 6 month bills are normally offered on a monthly basis. The DMO will conduct more than 100 separate Treasury bill tenders during 2003-04. Direct bidding by telephone is open to: Treasury bill primary participants; the DMO's cash management counterparties; and a limited range of wholesale market participants who have established a telephone bidding facility with the DMO.

The DMO retains the option to undertake taps, reverse taps and switch taps of gilts for market management purposes. The process is faster and simpler than an auction and participation is restricted to GEMMs.

4 Project scope

The DMO proposes to replace the current practice of submission of bids by telephone at gilt auctions and Treasury bill tenders to the DMO's dealers with an electronic bidding facility.

The current arrangements for telephone bidding would be replaced by submission of one or more bids by the bidder across an electronic communication network. Bids would be received directly into an allocation engine operated by the DMO.

The proposal to introduce electronic bidding is not intended to change the operational arrangements for auctions, taps or Treasury bill tenders except where the current

process is dictated by the need to receive bids over the telephone. For example, the current limitation at gilts auctions on receiving no more than 10 bids from each GEMM in the final 10 minutes reflects a capacity constraint and will no longer be required.

For consistency, this paper will refer simply to “auctions” for any process where a bidder is submitting bids to buy or sell an asset. Tenders, taps and other variants will only be referred to where specific functionality relates.

The operational procedures for the conduct of gilts auctions and taps, and Treasury bill tenders are set out in the relevant DMO Operational Notices:

- Official Operations in the Gilt-edged Market January 2004
- Exchequer Cash Management in the UK September 2003

The proposal does not cover other official operations (e.g. cash management or purchases of rump stocks) which will continue to be transacted by the DMO dealers under current procedures.

The project scope is limited to telephone bidding at auctions by GEMMs and cash market counterparties. The option for members of the Approved Group¹ to enter postal bids for gilt auctions will not be affected.

5 Research

The DMO has investigated the auction systems used by a number of other issuers (both sovereign and corporate) and is grateful for their considerable help and support in its research.

In addition, the DMO has met with vendors of electronic auction systems to explore potential technological solutions.

¹ A list maintained by the registrar of those eligible to bid non-competitively at auctions.

6 The benefits of an electronic auction system

6.1 Speed of results announcement

The principal benefit of using an electronic auction system is the ability to reduce the period between auction close and announcement of the results. During this period, bidders are unaware whether their bids have been successful or not. Consequently, they are exposed to the risk of adverse price movement before they are able to sell stock purchased at auction or, if unsuccessful in the auction, to purchase stock to cover any short positions. Every issuer aims to minimise the period between auction close and announcement of the results in order to reduce this risk for bidders and thus the yield premium/price discount that bidders will factor into their bids to compensate for the risk.

Introduction of electronic bidding will eliminate the time needed for the DMO to key bids into its allocation system and to re-check these, confirm bids with counterparties and reduce the time taken to calculate compliance with subscription limits (where applicable).

Currently, the DMO has a target to announce the results of each gilts auction within 40 minutes of the auction close and within 30 minutes of the close of a tender. However, it is usually able to achieve this comfortably and in 2003 the average time taken to announce was 22½ minutes and 11 minutes for gilt auctions and Treasury bill tenders respectively.

The DMO recognises that a shorter lag in announcing the results would be desirable. However, for a very short lag in announcing the result of an auction it is necessary to have a high level of automation in receiving and processing bids coupled with a very limited degree of discretion by the issuer.

The DMO reserves the right in exceptional circumstances not to allot all stock on offer, such as where the auction would only be covered at a level unacceptably below the prevailing market price. Although such a situation is rare, in these circumstances, it would be necessary to delay the announcement of results until the DMO had completed its assessment.

The DMO is interested in the market's view on any trade-off between the speed of results announcement and the degree to which this would require the DMO to limit its discretion in the determination of auction results.

6.2 Operational risk

For the DMO, electronic bidding will eliminate the risk of keying errors as bids are entered into its allocation system and transcription errors when telephone bids are recorded by the DMO's dealers². It will therefore eliminate the need to confirm bids with all bidders immediately following the auction, but it does mean that the risk of keying errors transfers to the bidder.

Although there will be an increased responsibility on the bidder to submit valid bids, an electronic bidding system could include real-time plausibility checks to prevent, say, bids in erroneous multiples or bids that widely diverge from the anticipated price or yield. Additionally, electronic bidding may permit automatic notification of allocations to successful bidders and eliminate the need for bidders to calculate and confirm their allocations from the published auction result.

Q1 Should the DMO aim to deliver the results announcement in the shortest time available, potentially at the cost of increased operational risk to market participants, or would the market prefer the DMO to retain some discretion in the process at a cost of slower announcement of the results? What does the market see as a reasonable turnaround time?

² Currently the DMO has strict controls to mitigate these risks but these add to the time it takes to validate the results.

7 The auction process

This section describes the processes that make up an auction and how these could be affected by introduction of electronic auctions. It presumes an understanding of gilts and Treasury bill operations.

The gilt auction, whether conventional or index-linked, is the most complex form of issuance process used by the DMO and, unless otherwise stated, is the operation described below.³ However, many of its features (e.g. subscription limits or client bid reporting) do not apply to simpler Treasury bill tenders and other operations and equivalently will not apply within an electronic tender or other operation. It is not the DMO's intention that adoption of an electronic auction system shall change the nature of the auctions themselves. The differences are largely self-evident and therefore are not detailed exhaustively.

7.1 Auction announcement

Auction details are announced at least one week in advance through a variety of media, including the DMO's wire services pages and its website. These will remain the standard notification methods for any of the DMO's operations. Participants will not need to access the auction system to obtain advanced notice of an auction.

Auction details will be set up on the auction system a few hours ahead of each auction. The details will include all the static data applicable to the auction:

- a description of the asset to be bid for, including ISIN;
- the nominal of stock available at auction;
- accrued interest amount;
- the auction deadlines;
- the bidding basis (price, yield) and the number of decimal places to which bids can be expressed;
- the allocation basis – bid or uniform price;
- any restrictions on minimum bids amounts and bid multiples for competitive bids;
- any restrictions on minimum bid amounts and bid multiples for non-competitive bids;
- settlement date.

³ Reverse auctions are described in a section 7.13.

The auction details might potentially include each bidder's non-competitive allocation and pre-defined plausibility limits on bids (see section 7.8).

Most of these details are defined by the form of the auction and described in the relevant Operational Notice. Only the identity of the stock to be bid for, the quantity on offer, the non-competitive allocations, settlement dates and the plausibility limits would change for individual auctions.

7.2 CRND allocation

For gilts auctions, the Commissioners for the Reduction of the National Debt (CRND) are entitled to bid, non-competitively, for limited amounts⁴ at each auction. This amount is in addition to the amount available for auction and is published at the time of the auction announcement. This process will not be affected by electronic auctions.

7.3 Approved group bidders

Gilts auctions are open to non-competitive bids from all bidders (i.e. other than GEMMs) in limited size. Bidders must be members of the DMO's Approved Group and bids are submitted in physical form either to the gilt registrar⁵ or to the DMO.

These processes will not be changed by the introduction of electronic auctions. The aggregate of non-GEMM non-competitive bids will be entered into the allocation system by the DMO.

There is no equivalent non-competitive bidding facility for Treasury bill tenders or other gilts operations.

7.4 GEMM position reports

Each GEMM is required to submit its net long/short position in the "when issued" stock and the parent stock (where applicable), and similarly the net position for associated group companies. Additionally, they must report the value of any group

⁴ Currently, £50mn nominal for conventional gilts or £20mn nominal for index-linked gilts.

⁵ The Bank of England is currently the registrar for gilts. HM Treasury is in the process of tendering the business with a view to appointing a new registrar later this year.

company bids submitted via other GEMMs. These reports are currently submitted by fax immediately following the auction close.

The net positions contribute to the calculation of allocations in the event that the sum of a GEMM's own account and group bids would breach the subscription limits for that auction type.⁶

In future, bidders would be required to enter the long/short position reports by means of the electronic auction system. Data will need to be received by the auction close.

There are no equivalent requirements in relation to Treasury bill tenders.

7.5 Bid submission

The current procedure for auctions is for bids to be submitted by phone to a member of the DMO's dealing team. Bids are submitted as either price or yield depending on the nature of the operation. Bids are identified as a nominal quantity sought at each price or yield. Each GEMM's single non-competitive bid is also submitted by phone. All bids are irrevocable once made. Telephone bids do not disclose whether each bid is for its own account, a client or any group company. This information and the identity behind the client bids are disclosed on each GEMM's faxed auction report which must be submitted within 15 minutes of the auction closing. For a gilts auction, a maximum of 10 competitive bids may be submitted during the final 10 minutes of each auction.

Electronic auction systems could offer the bidder an on-screen template allowing the bidder to enter and view multiple bids. Each bid will comprise:

- the price/yield of the bid;
- the quantity bid for;
- whether the bid is:
 - a GEMM's competitive bid;
 - the GEMM's non-competitive bid (in which case, price/yield would not be entered);
 - a group company competitive bid;

⁶ 25% for conventional gilt; 40% for index-linked gilt.

- a client competitive bid.
- the unique identifier for the bidder.

The GEMM may submit multiple competitive bids at each price/yield (e.g. one for its own account, one for other companies within the group and one each for a number of clients).

Each auction will have a start time before which it is not possible to input bids.

The template of bids may be submitted at any time during the auction. Unlike the current process, bids will be revocable until the auction close at which point they will become irrevocable.

Validation will be performed as bids are submitted (e.g. that the quantity is a permitted multiple or that the non-competitive bid does not exceed the GEMM's allowance). Errors will generate rejection reasons visible to the bidder. Successfully received bids will receive a positive acknowledgement.

The auction system will maintain an internal clock and a timer counting down to the auction close. Once the auction is closed, no further bids or amendments will be accepted.

Where multiple instruments are offered for simultaneous tender (e.g. 1, 3 and 6 month Treasury bills), there are two options: either to allow bids for multiple instruments to be submitted on a single template⁷ or to run three tenders simultaneously each accessible through a separate template⁸.

The DMO would welcome feedback on the proposed bidding process:

Q2 Does the market see any issues with the ability to amend or delete bids up to the auction close?

⁷ In which case, the instrument – possibly identified by maturity date – needs to be entered as an element of each bid.

⁸ Bidders could of course hold all three screens open at the same time.

Q3 Does the requirement to identify client bids at point of input (rather than in the post auction report) raise any practical implications for potential bidders?

Q4 For simultaneous tenders, would the market prefer to operate a combined template of bids for multiple instruments or through discrete templates?

7.6 Bid amendment

Bids may be revised at any point during the auction either by withdrawing a bid entirely or by revising the quantity bid or a particular price/yield. Bids may be revised any number of times before the auction closes. Those systems that the DMO have investigated either require individual bids to be cancelled and re-input (suitably amended) or permit one or more bids to be amended on the template and the entire template to be re-submitted (thus overwriting any previously submitted template).

7.7 Client bids

GEMMs are required to identify the underlying client where the GEMM is bidding on behalf of a non-group organisation. Under the current procedure, these are listed on each GEMM's auction report together with any group bids.

In future, these will need to be identified at the level of the individual bids for each client. Other issuers' experience suggests that client bids are generally submitted slightly earlier than each primary dealer's own account bids.

In order to allow accurate identification of clients for the automated calculation of subscription limits (which apply to clients as well as GEMMs), the DMO proposes to maintain a central register of clients and a unique anonymous identifier for each. The same identifier would be used in relation to client bids submitted across a number of GEMMs. For example, an investing institution – "Aardvark Investments" - would have a single identifier, e.g. AB123, which would be used by all GEMMs bidding on its behalf.

Individual client identifiers would be made available to GEMMs on request. Where a new institution wished to bid for the first time, the DMO would generate a new identifier following any necessary validation.

It would be necessary to agree the deadlines for the request of new client identifiers (e.g. up to 24 hours before each auction). Dissemination of client identifiers would be external to the auction system.

Q5 *The DMO would welcome views on its proposal for a central database of client identifiers. Would pre-registration cause practical difficulties for bidders?*

7.8 Plausibility limits

An electronic auction system might include plausibility limits on bids. The purpose of plausibility limits is to prevent bidder input errors leading to the submission of bids that are well away from the expected clearing price. The most common example would be transposition of figures, say, resulting in a bid of £98.29, rather than the intended bid of £98.92.

A central price, together with a benchmark variance in the price or yield could be set up for each auction. In the event of a bidder submitting or attempting to submit a bid that is lower or higher than this range, then the system could challenge the bidder to confirm their input.

Plausibility limits could either be defined by the bidder, enabling it to define its own level of control, or centrally by the issuer. In the latter case, a concern from the issuer's perspective would be if the central estimate was deemed to have any greater significance than its role as a control feature, and was viewed as the issuer seeking to influence the clearing price.

Plausibility limits need to be variable for different types of auction and adaptable in the event that the prevailing price/yield of the instrument being offered moves significantly during the course of the auction or tender. In such circumstances, the plausibility could be widened around the pre-defined central price to accommodate the new estimated clearing price. The limits would only ever be widened and would not apply retroactively to bids already submitted.

Q6 *The DMO would welcome users' views on the benefits of plausibility limits as part of an electronic auction system. Would bidders wish to be able to*

input bids outside of the plausibility limits? Would bidders prefer to have control over their own limits or prefer for them to be controlled centrally?

7.9 Subscription limits

Both conventional and index-linked auctions⁹ specify allocation limits on the proportion of the amount on offer that may be allocated to any single bidder – either GEMM or client. In the event that a single bidder's successful bids would result in its being allocated a greater proportion than the maximum, then its allocation is scaled back to the limited amount, and the surplus re-allocated to other bidders. The subscription limits are 25% for conventional gilts and 40% for index-linked gilts. For GEMMs, the assessment is based upon their own account bids and other group companies after taking account of any short/long position in the when-issued or parent stock. For end-investors, client bids are amalgamated across all GEMMs.

Enforcement of subscription limits will be automated within the electronic auction system. In addition to the bids themselves, it will draw upon the data described in sections 7.4 and 7.7.

The DMO would automatically apply the scaling and re-allocation method used in the event of a bidder exceeding the maximum allocation.

Currently, there are no subscription limits for Treasury bill tenders.

7.10 Auction deadline

Once the auction deadline is reached, no further bids or amendments will be accepted.

Bidding systems will offer close to real-time bid submission; however, it will be the responsibility of the bidder to ensure that bids are successfully received ahead of the auction close. The ability to input bids early and amend bids during the course of an auction means that there should never be a circumstance where a bidder is forced to submit its initial bids very close to the deadline.

⁹ Subscription limits are applied to switch auctions at the DMO's discretion.

The DMO does not expect to accept late bids or amendments except in extreme circumstances and at its sole discretion.

The DMO will have the ability to extend an auction if that is deemed necessary. If the auction has closed, it will be possible to re-open the auction; new bids may be entered and existing bids will be amendable. The DMO would exercise this right at its absolute discretion, and only in exceptional circumstances. One possible example might be where one or more bidders has been unable to submit bids due to business interruption (see section 8.4).

7.11 Auction results

Auction and tender results are disseminated across the DMO's wire services pages and subsequently through the DMO's website. This will not change.

7.12 Confirmations

Currently, the DMO does not actively confirm successful bidders' allocations. Bidders calculate their allocations by comparison of their bids with the published results. They will often subsequently phone the DMO's Dealers or Settlements Team for confirmation.

With the introduction of electronic auctions, it would be possible to generate automatic confirmations of stock allocated to successful bidders and the consideration due. Confirmations would be issued as soon as possible after the public results announcement was released.

Q7 Would bidders welcome a facility to receive allocation confirmations through the electronic auction system?

7.13 Reverse auctions

Reverse auctions allow bidders to offer to sell one or more assets to the DMO. Unlike Treasury bill tenders where discrete auctions are undertaken simultaneously, a reverse auction is a single operation where the DMO has a choice of purchasing a range of instruments, but with no prior knowledge of how much of each instrument it will purchase.

Unlike other auctions where there is a single variable (price/yield) that can be sequenced to determine the optimum allocation by the DMO, in a reverse auction, offers for each instrument are compared against the DMO's fitted yield curve to assess which instruments offer the best value to the Government and to determine the relative allocation between instruments as well as to successful participants within each instrument offered.

Electronic bid collection for a reverse auction would require participants to input the identity of the instrument offered with each offer. The relatively greater complexity of the allocation process means that the DMO would be unlikely to be able to issue results as quickly as for other auction types; nevertheless, it is envisaged that the time to issue the results would be considerably faster than the current process.

8 Communications and security

8.1 Communications

There is a wide range of communications options available for electronic auctions, as for other wholesale financial services:

- proprietary networks – either operated by a financial infrastructure provider (e.g. Bloomberg) or a communications company (e.g. Radianz);
- direct communication (e.g. leased lines); or
- internet based systems.

Of the electronic auction systems that the DMO has investigated: two use proprietary networks; one leased lines; and three were internet based. However, those not already using the internet anticipated it as a strong candidate for any next generation of system.

It is the DMO's underlying assumption that subject to satisfactory assessment of security (see 8.2 below) and cost of development, delivery across the internet will offer an attractive combination of breadth of access, low cost and ease of implementation for users. It will also offer consistency of approach with a number of electronic trading systems currently used in the gilts market (e.g. BrokerTec and Tradeweb) and other government bond markets (e.g. euroMTS).

The DMO would welcome views from users on the acceptability of an electronic auction system delivered across secure public internet. Access would be through a browser-based application. Bids would be entered into the on-line session. Certain data, including full audit trails, would be downloadable into users' own systems. The DMO does not plan to offer an API allowing bids to be generated from a user's internal system.

Q8 Do users have strong preferences on the choice of communication for an auction system and, in particular, the acceptability of an internet based system?

8.2 Security

An electronic auction system would support a range of security features. The precise range will be determined by the technology solution adopted, but some common features are given below.

- Each auction would operate as a closed user group of counterparties permitted to bid in that auction. Other users would not have access to that auction (e.g. a cash management counterparty in a gilts auction). Each bidding institution would have a unique identifier.
- Bidding at auctions would be restricted to GEMMs and participants in Treasury bill tenders.
- Bids would be submitted by identifiable operators within each institution. Operators would gain access through password-controlled logins.
- Individual bids and any information contained therein will be kept entirely discrete and not available for any other bidder to see.
- Additionally, the DMO may mandate physical security in the form of token keys¹⁰ or smart cards.

¹⁰ A unique random number generator synchronised with the security module in the auction system. The random number forms part of the login procedure and possession of the token key is therefore necessary to gain access.

- Data integrity to ensure authentication and non-repudiation of messages would be achieved by digital signatures and message hashing algorithms.
- Confidentiality would be offered through strong encryption – 128-bit is a commonly accepted standard.

8.3 Audit

The electronic auction system will retain a full audit trail of each auction. A bidder will be able to view and download details of each bid submitted and any subsequent amendments. Each bid record will be timestamped against the auction clock.

8.4 Business continuity

The DMO could retain a telephone bidding facility to exceptionally receive bids in the event of a business interruption affecting a particular user. In these circumstances, the DMO dealing desk would receive bids and enter these into the auction system on the bidder's behalf. Bids entered in this way would only be input on a best endeavours basis and would need to be clearly identifiable as having been entered by the auctioneer on behalf of a bidder. If the DMO is notified that this facility is required very close to the auction deadline, the DMO will have the discretion to extend the auction deadline exceptionally to permit bids to be entered (see section 7.10).

The DMO also needs to put in place sufficient continuity arrangements to receive and process bids in the event of an interruption affecting the DMO's ability to conduct the auction.

Q9 Will a telephone bidding option meet users' business continuity requirements in the event of a business interruption affecting the bidder?

8.5 Participation & Costs

It is the DMO's intention that the electronic auction system should be the principal means of bidding for its auctions and that it will be adopted by all regular bidders. The DMO would anticipate adoption by all GEMMs and regular participants in Treasury bill tenders.

If the electronic auction system is delivered across the public internet, then, following a transitional period, the DMO would expect that the electronic auction system would become the sole method of bidding¹¹ at auctions. Its usage would therefore be mandatory for all GEMMs, Treasury bill primary participants, cash management counterparties and those other wholesale market participants who bid at Treasury bill tenders.

Q10 The DMO would welcome views on its proposal that use of an electronic auction system should become mandatory for all GEMMs and regular participants in DMO auctions.

The DMO may ask auction participants to contribute towards the costs of implementing a solution to provide an electronic bidding platform and any ongoing maintenance or development costs. Market participants will be asked to meet their own costs of introducing any new software or procedures to enable them to use the system effectively. Similarly, any costs associated with specific requests that could be accommodated as part of the system may need to be met by those benefiting from the particular functionality.

The DMO acknowledges that the market would be able to provide valuable experience and advice in the development of any electronic auction system. It is therefore considering setting up a focus group to continue the consultation process during the design and implementation of any chosen solution.

Q11 The DMO would like to hear from any market participants interested in being involved in the development process, as part of a stakeholder focus group. Please provide contact details.

¹¹ Other than in the event of a business interruption, see section 8.4.

9 Freedom of Information

On 1 January 2005 the provisions of the Freedom of Information Act 2000 (Fol) come fully in to force. After that date, the DMO will be obliged to provide information held by them to persons who have requested such information unless that information is exempt from disclosure under the Fol.

Information requested from the DMO could include responses to this consultation exercise. **Respondents should therefore clearly indicate any information forming part of their response which they regard as confidential or 'privileged' information for the exclusive use of the DMO.**

Please note that in keeping with our obligations under the Fol, the DMO will be able to refuse a request for information only if that information is exempt from disclosure under the Fol.

10 Summary of consultation questions

	<i>Question</i>	<i>Section</i>
Q1	Should the DMO aim to deliver the results announcement in the shortest time available, potentially at the cost of increased operational risk to market participants, or would the market prefer the DMO to retain some discretion in the process at a cost of slower announcement of the results? What does the market see as a reasonable turnaround time?	6.2
Q2	Does the market see any issues with the ability to amend or delete bids up to the auction close?	7.5
Q3	Does the requirement to identify client bids at point of input (rather than in the post auction report) raise any practical implications for potential bidders?	7.5
Q4	For simultaneous tenders, would the market prefer to operate a combined template of bids for multiple instruments or through discrete templates?	7.5
Q5	The DMO would welcome views on its proposal for a central database of client identifiers. Would pre-registration cause practical difficulties for bidders?	7.7
Q6	The DMO would welcome users' views on the benefits of plausibility limits as part of an electronic auction system. Would bidders wish to be able to input bids outside of the plausibility limits? Would bidders prefer to have control over their own limits or prefer for them to be controlled centrally?	7.8
Q7	Would bidders welcome a facility to receive allocation confirmations through the electronic auction system?	7.12
Q8	Do users have strong preferences on the choice of communication for an auction system and, in particular, the acceptability of an internet based system?	8.1
Q9	Will a telephone bidding option meet users' business continuity requirements in the event of a business interruption affecting the bidder?	8.4
Q10	The DMO would welcome views on its proposal that use of an electronic auction system should become mandatory for all	8.5

GEMMs and regular participants in DMO auctions.

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