

JOINT BANK-DMO STATEMENT ON GILT LENDING

The Bank of England and the Debt Management Office (DMO) have agreed that the Bank will make available to the DMO a significant amount of the gilts purchased via the Asset Purchase Facility (APF) for on-lending to the market through the DMO's normal repo market activity. The DMO may repo these gilts to its existing repo counterparties in accordance with its current terms and legal agreements, the detail of which will be unaffected by this arrangement. The amount available will be at least 10% of the APF's holdings of each stock, and more where the APF's holding is greater than 50% of the free float. In addition, the Bank will be prepared to make the APF's gilts available for use in the DMO's Standing Repo Facility and in any relevant DMO Special Facility in specific stocks in accordance with the relevant terms and conditions.

The purpose of this arrangement is to relieve any undesirable frictions in the functioning of the market in specific gilts arising from the Bank's purchases: the Bank stated in its Market Notice of 5 March 2009 that it would investigate lending gilts acquired by the APF. The DMO will lend the gilts on a short-term basis only, for a term of up to one-week. In return for the loan of APF gilts, the DMO will deliver to the Bank UK government securities of equivalent value, so that the APF's holdings of UK government securities are unaffected. There will be no net impact on the DMO's cash management. This arrangement will be in place from 7 August 2009.

The Bank will publish the daily average aggregate value of gilts lent by the APF to the DMO during each calendar quarter, on the second Wednesday after the end of the quarter at 10am.

The Bank and the DMO will keep this arrangement under review.

Debt Management Office
Bank of England

6 August 2009