

Capital market issues in the United Kingdom

Notice issued by the Bank of England on 10 November 1980.

1 This notice provides guidance on the arrangements which the Bank of England wish to see observed for new issues in the UK capital market.

2 The ending of exchange control re-opened the sterling capital market to issues by foreign entities and promises to bring a significant expansion in international operations in the UK capital market. The Bank of England will be concerned to promote the development of the market on an efficient and orderly basis.

3 To this end, the Bank do not wish capital issues in sterling, including in principle those carrying a sterling option, to be made in markets outside the United Kingdom and will for this purpose, where necessary, seek the co-operation of overseas authorities. Foreign entities are, however, following the ending of exchange control, free to make issues in the UK capital market—both of debt and of equity—on the same basis as domestic entities. Moreover, both domestic and foreign borrowers are free to issue sterling euro-bonds (including floating-rate notes) without restriction on the use of the funds; and there is no restriction on the purchase of such securities by UK residents.

4 In order to promote the development of the UK capital market, the Bank consider that it may be helpful to give guidance from time to time on the arrangements which they wish to see observed in relation to new issues in the United Kingdom, including issues of sterling euro-bonds. Three aspects are covered in this notice.

Timing consent

5 New issues in sterling for amounts of £3 million or above are subject to timing consent by the Bank of England, under the Control of Borrowing Order 1958 (as subsequently amended). Foreign entities wishing to make such issues are thus, like domestic entities, required to seek the consent of the Bank of England in advance to the timing of the proposed issue. Requests for timing consent should in the first instance be directed to the Government Broker at Mullens & Co.

6 For new issues in sterling other than issues of sterling euro-bonds, the Bank operate, through the Government Broker, a new issues queue. Issues for which timing consent is granted will be assigned a date in the queue, which may not be altered without re-application for timing consent. In administering the queue the Bank have regard to the capacity of the market and to the need to maintain orderly arrangements for new issues.

7 The Bank do not at present consider it necessary to operate a queue for issues of sterling euro-bonds, nor for

non-sterling issues in the UK market, since such issues appear at this stage to have only a limited impact on the domestic market. The Bank wish however to be in a position to monitor such issues and therefore ask that, in addition to the requirement for timing consent in paragraph 5 above to which sterling issues are subject, notification should be given as early as possible in advance to the Bank's Gilt-edged Division of any proposed sterling euro-bond or foreign currency issues in the UK market, including those carrying a sterling option or a conversion option into sterling securities. In the case of issues in sterling, where it appears that there may be a clash of dates between similar issues the Bank will seek to arrange discussions between the issuing houses to explore the possibilities for avoiding unnecessary disturbance to the market; but in general final decisions will be left to the respective houses. If such issues should come to have an important impact on the domestic market, the Bank may at that stage wish to bring them within the queuing arrangements set out in paragraph 6 above.

Leadership

8 In order that the impact of new issues on the sterling capital market may be adequately monitored, the Bank wish to see all capital issues in sterling, including those carrying a sterling option, led by a UK-based institution with the capacity in the United Kingdom to act as an issuing house. Foreign-owned institutions with such a capacity will be eligible to lead sterling issues if in the Bank's view there are reciprocal opportunities in their domestic capital markets for equivalent UK-owned institutions; but the Bank will for the present expect such issues to be co-led by a UK-owned institution with the capacity in the United Kingdom to act as an issuing house. In each case, the Bank will look to the UK-owned co-lead manager to ensure that the arrangements in paragraphs 5–7 above are observed. Foreign-owned institutions which do not meet the reciprocity requirement will be eligible to participate in a co-management position, but not as a leader or co-leader.

Access to the gilt-edged market

9 The gilt-edged market comprises those securities which are traded on the scales of minimum commissions set out in Appendix 39, Section A, to the *Rules and Regulations of The Stock Exchange*. The securities which currently trade in this sector are, in broad terms, British government and government-guaranteed securities, UK corporation and county stocks and bonds, the securities of certain UK public boards, securities issued by the International Bank for Reconstruction and Development and the

Inter-American Development Bank, Commonwealth government and provincial securities, Commonwealth corporation stocks and certain Irish securities.

10 The Stock Exchange, with the agreement of the Bank, are prepared henceforth to consider extending admission to the gilt-edged market additionally to future issues of sterling stocks and bonds made in their own name by other overseas central governments and by other international institutions with which the United Kingdom is associated. Application for an issue to be admitted to the gilt-edged market should be made in advance to the Quotations

Department of The Stock Exchange. It will continue to be a requirement of such admission that the securities should on issue be offered in their entirety for public subscription, unless the issue is £7 million or less in amount. In addition to the requirements for timing consent in paragraphs 5-7 above, the Bank will also wish to be notified in advance of the terms of any issue to be made in the gilt-edged market.

11 The Bank's Gilt-edged Division stands ready to respond to questions on this notice and to give guidance on other matters which may arise in relation to capital issues in the United Kingdom.