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28 January 2009

Gurminder Bhachu and Tim Riddington
Co-Heads of Policy Team
UK Debt Management Office
Eastcheap Court
11 Philpot Lane
London
EC3M 8UD

Dear Mr Bhachu and Mr Riddington

**RE: UK DEBT MANAGEMENT OFFICE CONSULTATION ON
SUPPLEMENTARY METHODS FOR DISTRIBUTING GILTS**

The Exchange is pleased to respond to the DMO's proposals on the potential introduction of additional distribution methods to supplement gilt auctions.

We recognise that, given current market conditions and the significant increase in the levels of gilt issuance required in the coming years, it has become necessary for the DMO to seek alternative issuance mechanisms and to address potential inefficiencies in the gilt market model. The Exchange welcomes the DMO's proposals to explore the removal of potential barriers to wider participation in the gilt market. We are supportive of this approach as we believe that increased efficiency and wider investor participation are in the interests of all gilt market participants.

We would suggest that a review of potential changes to the secondary market in gilts would also be of benefit in achieving the Government's debt management objective. In keeping with the DMO's principles of openness, predictability and transparency, we believe that enhanced liquidity could be realised through a greater adoption of electronic trading in the secondary market and that the increased transparency and wider participation this would bring, would contribute significantly to further development of efficiencies in the primary market.

We would welcome the opportunity to meet with you to further discuss our ideas for enhancing both the primary and secondary gilt market models.

Yours sincerely



Gillian Walmsley
Product Manager – Debt & Specialist Securities

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