HM Treasury

United Kingdom Debt Management Office

The UK Treasury bill market:

Consultation response

May 2026

The UK Treasury bill market:

Consultation response

© Crown copyright 2026

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to tbillconsultation@dmo.gov.uk.

ISBN: 978-1-918417-33-3 PU: 3627.

Contents

Executive Summary 5

Background 7

UK T-bill investor base and demand factors 10

UK T-bill investor base (retail) 14

Primary market demand 18

Secondary market activity (cash and repo) 23

Maturities of UK T-bills offered at tenders 26

Expectations and requirements placed by the government on UK T-bill market participants 29

DMO repo market activity 33

Other views 36

Executive Summary

UK Treasury-bills ("T-bills") represent a key component of the UK government's stock of marketable debt instruments, alongside gilts. On 5 January 2026, HM Treasury (HMT) and the UK Debt Management Office (DMO) launched a consultation on expanding and deepening the UK T-bill market, which closed on 27 February 2026. The government received responses from a range of stakeholders, and is grateful for respondents' thoughtful and constructive feedback, which has helped inform its decisions to support the development of the UK T-bill market.

Taking into account respondents' feedback, and following an assessment of cost and risk, consistent with the government's debt and cash management objectives, HMT and DMO have identified the following measures which represent important steps to promote the expansion and deepening of the UK T-bill market:

- The introduction of T-bills around the 12-month maturity point at weekly tenders by the end of the 2026-27 financial year, to capture incremental sources of structural demand for maturities beyond six months (see Chapter 6).
- The establishment a Standing Repo Facility (SRF) for T-bills in the 2026-27 financial year, enabling dealers to borrow T-bills on demand on a temporary basis. This would strengthen dealers' ability to transact, reduce settlement and delivery risks, and therefore support liquidity in the secondary market (see Chapter 8).
- The creation and maintenance by the DMO of a T-bill collateral pool (i.e. not available for outright sale) that can be deployed in the secondary market to support DMO repo market activity, with an expectation that collateral creation will begin at T-bill tenders shortly after Autumn Budget 2026 (see Chapter 8).

The government will provide further updates around the implementation of these measures at Autumn Budget 2026.

Throughout the consultation, respondents highlighted ongoing and prospective structural demand for T-bills, whilst noting that market activity is constrained primarily by structural factors.

The government is focused on reforms within the scope of its remit that are envisaged to improve market structure, encourage activity among participants, and capture additional demand. These are the first steps the government will take in a potential series of reforms to expand and deepen the UK T-bill market gradually over time. It will keep under review the case for further reforms (including those in this consultation) in a manner that continues to be responsive to evolving market

demand, whilst ensuring consistency with its debt and cash management objectives. The size of the UK T-bill stock will continue to be driven by a range of factors, including the size of the government's funding requirements, demand considerations, and an assessment of cost and risk (with refinancing and refixing risks being particularly pertinent for T-bills).

Chapter 1
Background

Introduction

1.1 The government is committed to maintaining a well-diversified investor base to enhance the resilience of its financing programme, including through a well-functioning secondary market.

1.2 In recent years, the government's net financing requirement has been met primarily via gilt sales. In keeping with its commitment to a well-diversified investor base for UK government securities, the government announced at Budget 2025 on 26 November 2025 that it would launch a consultation on expanding and deepening the UK T-bill market.[1]

1.3 HMT and the DMO launched the consultation on 5 January 2026, which closed on 27 February 2026.[2] The purpose of the consultation was to seek views from market participants and other interested stakeholders, to better inform the future structure of the government's T-bill issuance programme and to explore options to promote participation in the UK T-bill market (both via its primary market operations and through the development of a more active and liquid secondary market in the UK).

1.4 In particular, the consultation covered several themes relevant to the development of the UK T-bill market, including measures to increase primary market participation at T-bill tenders and to stimulate secondary market activity (including via the promotion of a wider repo market for T-bills).

1.5 The government also invited feedback on the current and potential future investor base (including retail) and on the benefits, risks, and wider impacts of any change to the size and structure of the UK T-bill programme and the secondary market.

---

1 The Budget 2025 document can be found at: https://assets.publishing.service.gov.uk/media/6929b353345e31ab14ecf735/E03444720_Budget_2025_Web_Accessible.pdf.

2 The consultation can be found at: https://www.gov.uk/government/consultations/consultation-on-the-uk-treasury-bill-market.

Summary of responses

1.6 The government received 62 responses from a range of stakeholders including Treasury Bill Primary Participants (TBPPs)[3], asset managers, banks and building societies, investment platforms, and trade bodies. The government is grateful to respondents for their thoughtful and constructive responses to the consultation, which have helped inform its decisions to support the development of the UK T-bill market.

1.7 Respondents were strongly supportive of the expansion and deepening of the T-bill market in general, and highlighted that there are ongoing sources of structural demand for T-bills, particularly for liquidity management and regulatory purposes. Some constraints to market activity were raised – most notably limited secondary market liquidity and balance sheet costs for some participants. Indeed, some respondents highlighted that capital charges associated with the inclusion of T-bills in Leverage Ratio[4] calculations would remain the predominant constraint to investment by banks in the instrument. Respondents also noted that some investor participation in the UK T-bill market will remain price-sensitive and therefore driven by the return characteristics relative to other similar assets.

1.8 Respondents set out several pertinent issues relevant to the themes raised in the consultation. This document provides a summary of the main points raised and the government's response – including, where appropriate, policy measures that the government intends to pursue.

1.9 The chronology of this response document corresponds to the sections on which the government consulted:

- Chapter 2: UK T-bill investor base and demand factors.
- Chapter 3: UK T-bill investor base (retail).
- Chapter 4: Primary market demand.
- Chapter 5: Secondary market activity (cash and repo).
- Chapter 6: Maturities of UK T-bills offered at tenders.

---

[3] Treasury Bill Primary Participants are financial institutions that have agreed, subject to their own due diligence, to bid at T-bill tenders on behalf of investors. They are registered financial institutions that are regulated by – and subject to the rules and guidance of – the Financial Conduct Authority (FCA) and, where applicable, the Prudential Regulation Authority (PRA). These firms also provide secondary market dealing levels for T-bills. Currently, 17 of the 22 TBPPs are part of the same group as those operating as Gilt-edged Market Makers (GEMMs).

[4] The Leverage Ratio refers to a set of capital requirements for some firms supervised by the Prudential Regulation Authority (PRA). The Leverage Ratio is intended, alongside other capital adequacy requirements, to provide firms with a buffer to absorb losses. This helps to increase the resilience of the UK financial system to shocks. More information can be found on the Bank of England's website at: https://www.bankofengland.co.uk/prudential-regulation/prudential-and-resolution-policy-index/banking/leverage-ratio.

- Chapter 7: Expectations and requirements placed by the government on UK T-bill market participants.
- Chapter 8: DMO repo market activity.
- Chapter 9: All other views provided by respondents.

Chapter 2

UK T-bill investor base and demand factors

Consultation questions

1. How do you use T-bills and what is your T-bill investment strategy? How do T-bills benefit your operations and/or overall investment strategy?
2. Please provide a description of the current and potential investor base for T-bills as you understand it, including investors' relative levels of involvement in the market and the benefits of these instruments to different types of investors. In addition, respondents should comment on each investor type's current and potential future participation in this market.
3. What other financial instruments might investors view as substitutable with T-bills, and what factors influence the attractiveness of T-bills relative to these alternative investments?
4. What current and/or prospective future regulatory requirements could affect demand for T-bills (including any changes in demand for GBP-backed stablecoins, given the Bank of England's[5] and Financial Conduct Authority's[6] proposed backing asset requirements for these products)? To what extent do these factors impact different types of investors in different ways?
5. Do you have any comments on current and/or prospective interactions between the primary and/or secondary market in T-bills and other short term money markets (including unsecured markets) or the Bank of England's Sterling Monetary Framework (SMF) facilities?

5 The Bank of England published a consultation paper on a proposed regulatory regime for sterling-denominated systemic stablecoins on 10 November 2025 which closed on 10 February 2026. This can be found on its website at: https://www.bankofengland.co.uk/paper/2025/cp/proposed-regulatory-regime-for-sterling-denominated-systemic-stablecoins.

6 The Financial Conduct Authority published a consultation on stablecoin issuance and cryptoasset custody on 28 May 2025 which closed on 31 July 2025. This can be found on its website at: https://www.fca.org.uk/publications/consultation-papers/cp25-14-stablecoin-issuance-cryptoasset-custody.

2.1 Respondents described UK T-bills as short-term liquidity instruments used by a wide range of investors. They are regarded as low risk, short-duration assets (i.e. assets with a short term to maturity and low sensitivity to interest rate changes) that support:

- Liquidity management, including the maintenance of high-quality liquid assets (HQLA) and liquidity buffers. Some respondents noted that T-bills offer operational simplicity and predictable cashflows.
- Cash management strategies that require duration-limited and low volatility instruments. Respondents with specific cashflow cycles or known payment profiles highlighted their use of T-bills to match liabilities or manage cash positions. Some respondents also noted their use for short-term interest rate hedging and duration management strategies, where firms use T-bills to neutralise interest rate exposure, adjust duration tactically, or align assets with near-term liabilities.
- Collateral requirements where firms manage liquidity portfolios or engage in secured financing (repo).[7] Several respondents noted that T-bills' current repo usability is constrained by limited secondary market liquidity and the cost of dealer warehousing;[8] however, to the extent that T-bills are used for this purpose, they serve a valuable collateral role.
- Capital preservation, for investment strategies requiring near risk-free assets for short-term holdings. T-bills are valued for their low credit risk and low duration.

2.2 Respondents described a currently broad investor base, including:

- Banks and building society treasuries using T-bills alongside reserves for short-term liquidity, asset-liability matching (ALM) and regulatory buffers.
- Money Market Funds (MMFs) which incorporate T-bills within portfolio limits (driven by MMF regulations).
- Insurers and pension funds holding T-bills for near-term liquidity or cash management purposes.
- Asset managers, hedge funds, and corporate treasuries using T-bills for relative value strategies and the placement of surplus cash.
- Central banks, which use T-bills as part of foreign exchange reserve and regular cash management activities.

---

[7] A 'repo', or repurchase agreement, involves a party lending cash for collateral which normally takes the form of government securities.

[8] Warehousing refers to dealers – particularly banks – maintaining an inventory of securities to transact with in the secondary market. This assists market makers to make two-way prices in those securities.

- Retail investors, investing via platforms which aggregate orders into bids at primary auctions.

2.3 Some respondents identified potential future demand from:

- Banks, conditional on improved repo access and if Leverage Ratio treatment for T-bills were to be adjusted;
- MMFs, where additional maturities and deeper supply could allow greater participation;
- Stablecoin issuers, whose potential backing asset requirements could create a price-insensitive pool of structural demand, although the extent of stablecoin growth is currently uncertain; and
- Retail participation, if factors including tax treatment, wrappers,[9] and access to T-bills via investment platforms remain supportive (covered in Chapter 3).

2.4 Many respondents recognised the substitutability of T-bills and other short-dated instruments, which is primarily driven by relative yield, regulatory treatment, and market depth. Key substitutes raised by respondents include:

- Central bank reserves, which remain the preferred asset for many regulated institutions due to regulatory treatment (especially given they are exempt from Leverage Ratio exposure), liquidity, and operational simplicity. Some respondents noted that central bank reserves dominate balance sheet decisions unless T-bill yields offer a meaningful spread over central bank reserve remuneration.
- Short-dated gilts, which are frequently used by both institutional and retail investors as T-bill substitutes, when available. Respondents highlighted that favourable capital gains tax treatment and stronger secondary market liquidity often make short-dated gilts more attractive than T-bills.
- Short-term unsecured instruments such as commercial paper (CP),[10] certificates of deposit (CD),[11] and highly rated SSA (Sovereign, Supranational and Agency entities) bills, which respondents use as additional short-term options offering similar maturity profiles, particularly when liquidity is deeper than for T-bills, and relative value is better. Respondents also noted that MMFs act as diversified pooled alternative instruments, allowing indirect access and greater liquidity.

---

9 A wrapper is a product which allows for investments within them to be free of income and capital gains tax. Examples include Individual Savings Accounts and self-invested personal pensions.

10 Commercial paper is a money market instrument issued by (typically large) firms, including banks, to meet short-term funding needs.

11 Certificates of deposit are fixed-term debt instruments issued by banks and building societies.

- Gilt-based General Collateral (GC)[12] reverse repo (i.e. short-term lending against gilts). Gilt collateral is preferred to T-bills, given limited T-bill repo market activity in general.
- Retail (including cash and cash-like) products. These include short-term savings accounts, instant access cash accounts, and National Savings and Investments (NS&I) products.

2.5 Respondents identified several regulatory and policy factors influencing current and future demand. It was highlighted that the emerging stablecoin reserve frameworks under development at the Bank of England and Financial Conduct Authority could become a determinant of structural T-bill demand. Themes raised by respondents included the potential for a high proportion of backing assets to be in short-dated sovereign debt, the importance of predictable issuance to support investment strategies, and the prospect of substantial, price-insensitive buy-and-hold demand entering the market.

2.6 Several respondents noted that the Leverage Ratio is a limiting factor on demand. Respondents noted that T-bills receive the same treatment as other assets under the Leverage Ratio, which is intended to be a capital requirement insensitive to an asset's perceived risk. Respondents argued that this suppresses inventory (limiting dealers' ability to make two-way prices), reduces secondary market activity, and limits primary dealer capacity to absorb additional supply. The Financial Policy Committee (FPC) is responsible for setting the UK's Leverage Ratio framework.

2.7 Several respondents commented that the relative tax treatment of T-bills and gilts significantly affects the relative attractiveness of the instrument to retail investors. In addition, any changes to their eligibility in Stocks and Shares ISAs (Individual Savings Accounts) and self-invested personal pensions (SIPPs) could impact retail participation (covered in Chapter 3).

2.8 The feedback set out in this Chapter has helped to inform the government's approach to the policy measures discussed in this response.

---

[12] General Collateral refers to a basket of securities which trade in the repo market at a broadly similar rate. This is in contrast to 'special' repos, where a cash lender seeks to borrow a specific security.

Chapter 3

UK T-bill investor base (retail)

Consultation questions

6. What existing measures are there which may promote investment in T-bills by retail customers? Are these widely taken up?
7. What measures could the government take to incentivise or promote investment in T-bills by retail customers? How might this affect retail investment in gilts?
8. What risks to the government or the market could arise if the government were to take measures to incentivise or promote retail investment in T-bills and how would these best be mitigated?

3.1 In this section, respondents reported that retail participation in UK T-bills is currently small but growing, facilitated primarily through online investment platforms that aggregate retail orders into bids at the DMO's weekly tenders. Some respondents noted that in recent years uptake has been supported by greater visibility, access via online platforms, and wrapper demand.

3.2 Retail investors are described as predominantly buy-and-hold, due to the operational friction associated with selling T-bills before maturity, the absence of a liquid secondary market for individual investors, and the fact that many retail allocations occur within ISA/SIPP wrappers where cash-equivalent characteristics are preferred over tradability.

3.3 Respondents who facilitate retail activity emphasised that most retail orders occur inside tax wrappers, with some indicating that the majority of retail demand originates from ISA/SIPP channels rather than general investment accounts.

3.4 Respondents further highlighted structural regulatory barriers that can suppress retail participation:

- Tax treatment: the most frequently cited barrier is the difference in tax treatment of discount instruments like T-bills relative to low coupon gilts. Respondents explained that retail investors are highly sensitive to the relative tax treatment of T-bills and gilts, and may favour low-coupon gilts, because they are

tax-advantaged in certain contexts, including when investing outside of wrappers.

- Wrapper and platform constraints: many respondents set out that retail access to T-bills is highly dependent on ISA and SIPP operability. Some explicitly warned that classifying T-bills as "cash like assets" for the purposes of ISA rules – and subsequently restricting the use of such assets in Stocks and Shares ISAs – could significantly reduce or eliminate retail participation, given the majority of current retail demand is channelled through tax-efficient wrappers.[13] Some respondents raised other barriers, including uneven availability across different brokers and high minimum denominations required for direct participation at T-bill tenders.[14]
- Secondary market limitations: some respondents observed that retail investors cannot readily access a liquid secondary market, meaning that T-bills effectively function as hold-to-maturity instruments for them. This limits the broader retail uses for investors who may need to monetise assets before they mature.
- Understanding around product design: some respondents identified terminology as a barrier, alongside a lack of public-facing education on the instrument. It was also noted that retail investors may not be aware of zero-coupon pricing or mark-to-market volatility.
- Operational limitations: a limited number of respondents noted the lack of direct access to the T-bill market as a barrier.

3.5 Despite barriers, respondents largely agreed that retail demand could expand under the right conditions. Suggestions included:

- Changing the tax treatment of T-bills: some respondents proposed extending the tax treatment of gilts to T-bills, or making T-bills effectively tax exempt, noting this could remove one of the barriers that currently incentivises retail investment into low-coupon gilts instead.
- Sustained wrapper eligibility and clear rules: many respondents highlighted that ensuring T-bills remain fully eligible for ISAs and

---

[13] The government announced changes to the annual subscription limit for Cash ISAs at Budget 2025, which will take effect from 6 April 2027. Rules will be introduced to avoid circumvention of the lower limit for cash ISAs, including tests to determine whether an investment is eligible to be held in a stocks and shares ISA or is 'cash-like'. Industry will be consulted on the draft legislation. More information can be found at: https://www.gov.uk/government/publications/tax-free-savings-newsletter-19/tax-free-savings-newsletter-19-november-2025.

[14] Information about the parameters of T-bill tenders, including the minimum bidding size, can be found in the UK Treasury Bills Information Memorandum, which is published alongside the Cash Management Operational Notice. These can be found on the DMO's website at: https://dmo.gov.uk/publications/?offset=0&itemsPerPage=10&parentFilter=16735&childFilter=16735|16739.

SIPPs is essential to future retail participation. Some noted that changes to wrapper design could shift investor behaviour.

- Technological and platform improvements: some respondents anticipated that more seamless retail experiences would lower frictions for retail participants, such as enabling retail platforms to become Treasury Bill Primary Participants (TBPPs), introducing simpler user interfaces or listing T-bills on retail trading venues.
- Education and awareness campaigns: multiple respondents noted that retail awareness of T-bills remains very low. They recommended simple explanations, clearer risk disclosures, and collective education efforts across the public sector and industry to raise awareness.

3.6 Respondents also set out risks and considerations raised about expanding retail participation, including:

- Deposit/retail product displacement and impacts on funding markets, especially if retail flows move rapidly out of bank deposits. A few respondents also noted that increased retail demand for T-bills could displace other retail savings vehicles, including NS&I, money market funds, and bank deposits, rather than represent new savings.
- Retail sensitivity to market volatility, particularly during periods of changes in rates where mark-to-market movements or auction outcomes may be misunderstood.
- Operational burdens for platforms, including suitability checks, education requirements, and customer service capacity.
- Risk of mis-selling, particularly if retail access expands without adequate education or clarity about how discount instruments work.

Government response

Respondents viewed retail demand as small but growing and responsive to policy and platform design. Tax treatment, wrapper rules, and user experience are the dominant determinants of retail participation. Some respondents suggested that retail demand could expand under the right structural conditions but emphasised the need for careful management of risks to financial stability, consumer understanding, and bank funding markets.

At this stage, the government considers that the potential benefits and risks associated with the options presented to promote retail participation appear finely balanced, with important interactions across a number of other policy areas. In particular, it notes the potential fiscal implications of any changes and the uncertainty over wider impacts on investor behaviour across markets. Therefore, the

government will not currently take forward any specific measures proposed to promote retail participation in this response but will keep under review what action may be appropriate over time while ensuring consistency with its debt and cash management objectives.

As respondents noted, the government is currently developing rules for the treatment of cash and cash-like investments in the Stocks and Shares and Innovative Finance ISAs, following the announcement at Budget 2025 of a reduction to the Cash ISA subscription allowance from April 2027. The government has been engaging closely with stakeholders to develop these rules, and industry will be consulted on the draft legislation, which will be made by amendments to the ISA regulations and laid before Parliament well ahead of April 2027.

The government welcomes private sector initiatives which have facilitated retail access to T-bills. The DMO will continue to engage with market participants – including those which operate in the retail sector – to improve investor education.

Chapter 4
Primary market demand

Consultation questions

9. What are the most important factors which influence demand for T-bills in the primary market (including but not limited to yield, maturity, expected changes in the yield curve, monetary policy, and regulatory requirements)? How might different types of investors rank the importance of these factors?

10. What structural and/or regulatory factors affect, or could affect in the future, primary market activity in T-bills on both the demand- and supply-sides? To what extent do these factors impact different types of investors in different ways?

11. How does T-bill primary market activity in the UK compare to peer sovereign markets and what factors explain any differences?

12. Is there a limit on the extent to which primary market demand for T-bills can be maximised and, if so, what are factors that drive this?

4.1 Respondents raised several factors which influence demand for UK T-bills in the primary market. Responses were similar to those laid out in Chapter 2: given a lack of secondary market activity, demand for T-bills manifests predominantly in the primary market.

- Yield level was raised as a key demand factor across several investor types – particularly relative to benchmark rates, including SONIA[15], and to other similar assets (including short-dated gilts, other SSA bonds/T-bills, commercial paper, certificates of deposit, bank deposits, MMF investments, and General Collateral reverse repos). It was also noted that some investors may invest in T-bills on an asset swap basis:[16] for these investors, the difference between the T-bill yield and the SONIA swap rate is an important factor.
- Several other considerations were raised by respondents. These include: (i) expectations around future interest rates, (ii)

[15] Sterling Overnight Index Average, an interest rate benchmark calculated by the Bank of England. More information can be found on the Bank of England's website at: https://www.bankofengland.co.uk/markets/sonia-benchmark.

[16] An asset swap is a derivative contract which involves two parties swapping an asset with fixed-rate cash flows for one with floating-rate payments.

alignment of maturities with investors' cash management and liquidity needs, and (iii) a range of regulatory considerations.

- Several firms also mentioned that a lack of liquidity in the secondary market acts as a limiting factor for T-bills at the DMO's weekly tenders: in particular, a lack of two-way price-making reduces investors' confidence in being able to adjust flexibly T-bill holdings.

4.2 More detailed feedback relevant to different investor types is detailed below.

Bank and building society treasuries

4.3 Respondents noted that bank and building societies may use T-bills for Asset Liability Management (ALM) purposes, particularly to hedge against term deposits, including when the yield is attractive relative to the return on central bank reserves. Some respondents noted that whether firms invest at different maturity points is affected by views on the trajectory of interest rates.

4.4 T-bills can be attractive to banks and building societies given the regulatory requirements related to the Liquidity Coverage Ratio (LCR),[17] under which T-bills qualify as Level 1 High Quality Liquid Assets (HQLA), which are 0% risk weighted. Several banks noted that T-bills form part of their Liquid Asset Buffer.

4.5 It was also noted that the attractiveness of T-bills was improved by the operational ease associated with purchasing them and their eligibility as collateral in the Bank of England's (BoE's) Sterling Monetary Framework (SMF) facilities.[18]

Treasury Bill Primary Participants (TBPPs)

4.6 Several firms – particularly banks that are Treasury Bill Primary Participants – noted that the Leverage Ratio is a limiting factor on demand. Respondents argued that T-bills are associated with high balance sheet intensity due to their lower duration which, combined with their relatively low margin, makes them less attractive investments to warehouse.

4.7 Some TBPPs noted that they do not transact for their own account at T-bill tenders and instead execute client bids only. Some TBPPs noted factors which affect a variety of different firm types, including: (i) the interaction between T-bill maturities and reporting dates, including around quarter- and year-end, given the effect of

---

17 Further information on the Liquidity Coverage Ratio can be found on the Bank of England's website at: https://www.bankofengland.co.uk/prudential-regulation/prudential-and-resolution-policy-index/banking/liquidity.

18 T-bills qualify as Level A collateral in the BoE's SMF facilities. Level A collateral consists of assets expected to remain liquid in almost all market conditions. More information can be found on the BoE's website at: https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/our-tools.

holdings on balance sheets, and (ii) expectations for the path of Bank Rate over the lifetime of a given T-bill.

Money Market Funds

4.8 Several respondents noted that T-bills can be attractive to MMFs, whose primary objective is capital preservation and liquidity rather than yield: the credit quality associated with UK T-bills is therefore an important demand factor. It was suggested that demand for T-bills could come in particular from Public Debt Constant Net Asset Value (PDCNAV) MMFs, which are required to hold 99.5% of assets in government assets.

4.9 It was however raised that PDCNAV MMFs: (i) often routinely invest in gilt reverse repo because of a lack of liquidity in outright government securities in the required maturity range, and (ii) are less prevalent than Low Volatility Net Asset Value (LVNAV) MMFs. LVNAV MMFs can invest in private sector securities, which may yield more favourable returns than T-bills, making the latter less attractive.

4.10 Other relevant MMF regulations include those associated with weighted average maturity and weighted average life, as well as daily and weekly liquid asset requirements – which affect the scale and scope of maturities in which short-term MMFs can invest.

4.11 A small number of respondents noted that oversubscribed tenders make it difficult to be certain about filling bids, and that a lack of 12-month T-bills limits the utility that T-bills offer to these investors. It was also noted that low secondary market liquidity and a lack of pricing transparency results in lower primary market demand.

Asset managers and pension funds

4.12 Several respondents noted that different firm types – including asset managers and pension funds – transact in T-bills as part of their regular cash and liquidity management activities. T-bills benefit in this respect from their status as high-quality government debt instruments. It was however noted that the extent of T-bill investments is driven by liquidity and yield relative to comparable assets.

4.13 It was noted that T-bills can be used by asset managers to access short-dated instruments without the fees associated with MMFs.

4.14 Some investors noted that historically tight pricing and low secondary market liquidity (including wide bid-ask spreads) limit allocations to T-bills and primary market bidding. Some firms also suggested that they would prefer more direct access to T-bill tenders.

Hedge funds

4.15 It was noted by some respondents that hedge fund activity in the T-bill market is driven by pricing considerations, particularly if T-bills trade attractively relative to alternative investments. Liquidity and the ease of exiting positions were also mentioned as key considerations for these firms.

Central banks

4.16 Respondents noted that central banks may invest GBP-denominated foreign exchange reserves into T-bills to secure predictable returns over a short time horizon. Some respondents also mentioned that central banks may use T-bills as part of their regular cash management activities.

Stablecoin

4.17 Some respondents mentioned that the development of a GBP-denominated stablecoin market could catalyse price-insensitive demand for T-bills, subject to the regime set by the regulatory authorities; however, it was noted that the extent of stablecoin growth is uncertain, and that the vast majority of outstanding stablecoins are denominated in US dollars (USD).

4.18 A small number of respondents noted the BoE's ongoing work on the development of a regime for sterling-denominated systemic stablecoins and that the extent of any effect on T-bill primary market participation would be dependent on those rules.

4.19 Several comparisons were made with peer issuers. Of those respondents that offered an opinion, several mentioned that the UK T-bill market is in general less liquid than peers, including the US, France, and Germany: this is reflected in wider bid-offer spreads, smaller trade sizes, and lower overall T-bill stock (in both absolute terms and as a proportion of sovereign marketable debt). Some respondents also noted that peer issuers may have comparable stock levels (e.g. Germany), but more liquid secondary markets (including in repo) – demonstrating that market structure, and particularly efficient and widespread intermediation, is an important factor in determining levels of activity.

4.20 Several firms made suggestions about changes to the design of the T-bill issuance programme which could improve demand at T-bill tenders. These included: (i) more predictable issuance, including earlier notice of tender sizes, (ii) larger tender sizes, (iii) larger individual T-bill ISINs, and (iv) non-competitive bidding options.

Government response

The government welcomes feedback from respondents on the drivers of primary market demand, including on the factors that may limit participation at its weekly tenders. Feedback received from respondents aligns with the government's rationale for consulting on these issues.

HMT and the DMO will continue to engage with market participants and interested stakeholders to maintain a strong evidence base, monitor evolving market dynamics, and inform decision-making.

The government will continue to be responsive to evolving market demand – including as a result of the potential development of a GBP-denominated stablecoin regime – whilst ensuring consistency with its debt and cash management objectives. The size of the UK T-bill stock will continue to be driven by a range of factors, including the size of the government's funding requirements, demand considerations, and an assessment of cost and risk (with refinancing and refixing risks being particularly pertinent for T-bills).

Chapter 5

Secondary market activity (cash and repo)

Consultation questions

13. What structural and/or regulatory factors affect, or could affect in the future, secondary market activity in T-bills on both the demand- and supply-sides? To what extent do these factors impact different types of investors in different ways?

14. To what extent is there potential for a larger amount of secondary market activity in T-bills, including in outright transactions? How might this be facilitated by the authorities?

15. To what extent are T-bills used in General Collateral (GC) repo, and to what extent is there a repo market for specific T-bills?

16. To what extent is there potential for greater inclusion of T-bills in GC repo and/or a repo market in individual T-bill securities? How might this be facilitated by the authorities?

17. There are typically 26 T-bills in issue at any given time (excluding some T-bills issued outside of weekly tenders)[19]. What is the minimum issuance size of individual T-bill ISINs[20] at which you would consider investing in the secondary T-bill market? Would a change in the average issuance size of individual T-bill ISINs support secondary market activity?

18. How does T-bill secondary market activity in the UK compare to peer sovereign markets and what factors explain these differences?

5.1 Respondents identified several issues which may act as constraints on secondary market activity and made multiple suggestions on how to increase activity in the future. Most respondents who offered an opinion suggested that there is scope for greater secondary market activity in UK T-bills, including in repo.

19 The DMO issues a new six-month T-bill every week, which typically is re-opened at the three- and one-month maturity points. This means there are typically 26 T-bills in issue at any given time (excluding some T-bills issued outside of weekly tenders).

20 An ISIN is an International Securities Identification Number, an alphanumeric code that uniquely identifies a specific financial security.

5.2 Several respondents mentioned that secondary market activity in the T-bill market is low, particularly relative to the deep and liquid market associated with gilts. Key structural factors were raised which limit the extent to which T-bill secondary market activity can develop:

- Little to no repo market activity, including limited repo in specific T-bill ISINs and marginal use in General Collateral repo. Several respondents suggested this was largely driven by difficulties in sourcing and borrowing T-bill ISINs. It was also noted by some firms that T-bills are viewed largely as buy-and-hold instruments by investors, so sourcing T-bills outside of primary market operations is difficult. A small number of respondents noted that settlement fails are prevalent given a lack of liquidity.
- Intermediation issues which make it difficult for dealers to make two-way prices. Several respondents mentioned that T-bills are a relatively unattractive instrument for banks to warehouse given their lower return relative to other assets but equivalent capital treatment. To the extent that dealers do provide bid-offer prices, these are driven by their limited inventories. It is also difficult for dealers to cover short positions given the lack of secondary market activity in general.
- These structural barriers are consequential for investment behaviour. For example, respondents suggested that investors may struggle to exit positions because of the lack of a prospective buyer in the secondary market.
- Several respondents suggested that these problems could be mitigated by the introduction of expectations and/or obligations in the T-bill market or a SRF for T-bills, which are explored in more detail in Chapters 7 and 8 respectively. Respondents also noted that an exemption for T-bills in the Leverage Ratio could be a mitigation; as set out in paragraph 2.6, the UK's Leverage Ratio framework is set by the FPC.

5.3 Views on minimum ISIN sizes were varied. The majority of those respondents that offered an opinion suggested that larger average ISIN sizes in general would support secondary market activity. Some firms suggested this could be accomplished by reducing the absolute number of ISINs.

- Some firms mentioned explicit ISIN sizes at which they would consider investing – or that they believed would facilitate better secondary market activity. These ranged from £500 million to £9 billion. It was noted that some firms may be subject to concentration limits, which restrict the total proportion of a given ISIN they can hold.
- Some firms also noted that re-openings of existing T-bill lines could improve liquidity and reduce potential fragmentation.
- Several firms noted that while higher average ISIN sizes would likely improve liquidity conditions, structural factors were more

important to secondary market functioning – particularly the lack of repo market activity.

5.4 Some respondents suggested that greater and/or more predictable primary T-bill issuance would improve participation in the secondary market, including use in repo. Some suggestions were made about the design of T-bill issuance, including that the DMO could retain a share of issuance following tenders. Suggestions were also made to: (i) allow bids for any T-bill at tenders, and (ii) offer a switch/buyback facility for T-bills.

5.5 Some respondents made general suggestions that might improve secondary market activity:

- There were some suggestions that greater take-up among banks of electronic/digital trading rather than voice trading might improve buy-side activity in the T-bill market. One respondent noted that the US exhibits much greater use of electronic trading.
- Some respondents also suggested that the favourable haircut regime for T-bills in the BoE's SMF facilities could be helpful for secondary market flows if liquidity conditions improve. Others suggested that haircuts should be reduced further to promote use of T-bills in these facilities.

Government response

Respondents suggested that secondary market activity is limited by structural factors, including a lack of repo market activity and balance sheet costs (including due to the Leverage Ratio) and a lack of certainty in covering short positions.

Respondents also highlighted that larger ISIN sizes (including via reducing the number of ISINs in issue) could contribute to liquidity, although structural barriers remain more important. The government notes that these barriers may limit any benefit that could be derived from larger lines at this time.

In this response, the government is focused on implementing those reforms that are envisaged to improve the structure of the market and promote activity among participants. Consistent with its debt and cash management objectives, the government will keep under review the potential benefits, costs, and risks of larger ISINs over time, in light of how the market evolves.

Chapter 6

Maturities of UK T-bills offered at tenders

Consultation questions

19. Could the introduction of T-bills with different maturities at tenders attract new structural demand? If so, what new maturities would be sought after, and what would be the sources and scale of this new demand? How sustainable might any such demand be over the longer term?

20. To what extent could the sale of T-bills with a wider range of maturities at tenders displace demand for (i) T-bills at existing (i.e. one-, three-, and six-month) maturities and/or (ii) gilts with similar maturities available in the secondary market?

21. What other issues or risks might be associated with the sale via tenders of T-bills with different maturities?

22. How long would it take for you to consider T-bills with different maturities as part of your investing strategy? What lead times might TBPPs and investors require before T-bills with different maturities could become a part of their investing strategy?

6.1 Respondents discussed the merits and risks of introducing new maturities at UK T-bill tenders. The majority of respondents suggested the introduction of a 12-month maturity T-bill and there were several mentions that the introduction of such a maturity would attract new structural demand.

6.2 Several respondents noted that MMFs may be attracted to T-bills with longer maturities, given that: (i) these firms typically have a one-year investment horizon and (ii) T-bills are a permissible instrument with which MMFs can meet their liquidity requirements. This is particularly true of PDCNAV MMFs, whose holdings are subject to 99.5% government securities requirements. There may also be interest from LVNAV MMFs, but this could be largely dependent on yield relative to non-government money market instruments.

6.3 Bank and building society treasuries were also mentioned as potential sources of structural demand. Respondents mentioned that the introduction of new maturities would: (i) improve ALM and hedging, particularly against one-year term deposits, (ii) decrease rollover risk for these firms, and (iii) provide additional laddering opportunities.

6.4 It was also noted that the introduction of 12-month maturity T-bills would be consistent with international norms: many peer issuers maintain a 12-month T-bill curve, including the US, Germany, and France.

6.5 Respondents noted that demand for T-bills with new maturities, among some market participants, will remain price-sensitive and that participation from these investors will be dependent on spreads to benchmark rates and/or other similar assets.

6.6 A smaller proportion of respondents noted that the introduction of a 9-month maturity T-bill could also attract demand from MMFs and bank and building society treasuries. Reasons given were broadly in line with those factors supporting the introduction of 12-month maturity T-bills at tenders.

6.7 A limited number of respondents suggested that new maturities within the existing T-bill curve could be issued via tender, including at the one-week and two-month points, which could promote a more continuous money market curve and, in the case of one-week maturity T-bills, fall within the scope of instruments used by MMFs to meet their weekly liquidity requirements. There were isolated calls for the introduction of T-bills maturing on a quarterly basis, including post-quarter end, to facilitate liquidity management.

6.8 Several risks associated with the introduction of new maturities were identified by consultation respondents:

- Some firms noted that longer maturities could displace demand for other assets, including short-dated gilts traded in the secondary market, bank deposits, and NS&I products (for retail investors). Several firms of this view anticipated that the extent of displacement would depend largely on their yield relative to other instruments. Other respondents did not anticipate much displacement, including from existing T-bill maturities.
- Some respondents mentioned that any new maturities would dilute liquidity at weekly tenders, given T-bill issuance would be spread over more maturity points. This becomes more acute with the introduction of several new maturities. A small number of respondents recommended waiting to introduce new maturities until improvements in liquidity can be observed.
- A small number of respondents also noted that if new 12-month T-bills were to be issued at each weekly tender, fragmentation of T-bill stock (as a result of the larger number of ISINs) could follow. Some respondents of this view suggested mitigants, including (i) issuing a new 12-month bill less frequently, including every two weeks or every month, and (ii) re-opening existing T-bills to build up their size.

6.9 Respondents gave a range of views about the lead times required to consider new T-bill maturities as part of their investment strategy. The majority of respondents that offered an opinion said that they could

adopt new maturities quickly and/or immediately. Some firms noted longer lead times, including up to six months.

Government response

The majority of respondents were in support of adding a 12-month T-bill and anticipated incremental structural demand for such an instrument, especially from MMFs and bank and building society treasuries. Some also noted that such a maturity point – which would result in the development of a 12-month T-bill curve over time – aligns with international norms.

In light of consultation feedback and having undertaken an analysis of cost and risk, consistent with its debt and cash management objectives, the government will introduce T-bills around the 12-month maturity point at the DMO's weekly tenders by the end of the 2026-27 financial year. As noted by respondents, the government expects the introduction of T-bills in this maturity area will widen the potential use case of the instrument for some investor groups. This represents an important step to further diversify and strengthen the resilience of the government's financing programme.

HMT and the DMO will carefully consider the pattern of 12-month T-bill issuance prior to implementation, including the frequency of new lines being launched and whether to re-open existing ISINs between new issues. In doing so, the government will take account of: (i) feedback received in relation to the number and average size of T-bill ISINs (covered in Chapter 5) and (ii) the effect of issuance patterns on investors' strategies. The DMO will engage with market participants to inform its approach.

The government will set out further details of its plans for issuance of T-bills around the 12-month maturity point at Autumn Budget 2026.

Chapter 7

Expectations and requirements placed by the government on UK T-bill market participants

Consultation questions

23. If any expectations around activity or participation in the T-bill primary market were to be introduced (for example, this may include minimum primary market share requirements), what types of firms should be subject to them and why?

24. If any expectations around activity or participation in the T-bill secondary market were to be introduced (for example, this may include minimum secondary market share or a requirement to make two-way prices in T-bills at all times), what types of firms should be subject to them and why?

25. What would be the effect on T-bill secondary market liquidity if the government was to introduce any expectations of activity/participation in the T-bill market?

26. What other issues or risks might be associated with the introduction of expectations or requirements around activity in the primary T-bill market?

27. What other issues or risks might be associated with the introduction of expectations or requirements around activity in the secondary T-bill market?

7.1 Across this section, responses showed no clear consensus on whether expectations or obligations on market participants should be introduced, but there was strong agreement around the conditions under which they might be introduced. The majority view is that obligations could play a role once market foundations – such as repo access and larger individual lines – are established, and if those obligations are targeted, proportional, and supported by incentives.

7.2 Across respondents, views ranged from strong support, to conditional/mixed, to some clear opposition. These positions were informed by the current liquidity environment, the need for additional balance sheet capacity for intermediation, the sequencing of obligations relative to repo facility developments (set out in Chapter 8 of this response), and the respondent's role (for example, dealer, platform, or investor).

7.3 A number of respondents supported expectations or obligations in principle, particularly for primary intermediaries, if tied to market-maker responsibilities and backed by incentives. Some respondents however expressed cautious or contingent support, emphasising that obligations must be proportionate and sequenced after structural reforms (especially repo). Several respondents opposed obligations, noting they would distort pricing, reduce participation, or harm liquidity in other government debt instruments.

7.4 A large number of respondents stated that obligations should not be applied to end investors or non-dealer platforms. They suggested that obligations should fall on firms with balance sheet capacity, intermediation infrastructure, and regulatory permissions. Therefore, there was broad consensus that obligations, if implemented, should be limited to primary dealers, TBPPs, or GEMMs.

7.5 Some respondents suggested a proportional approach, advocating for obligations that scale by market-maker size, desk capacity, or activity, to avoid disadvantaging smaller intermediaries. Several retail-facing respondents stressed that they are not dealers and therefore could not meet obligations linked to two-way pricing or inventory holdings.

7.6 Respondents supporting obligations typically pointed to three key benefits, including: improved secondary market liquidity (particularly two-way quoting expectations), which was seen as having the potential to improve price transparency and enable larger, more consistent liquidity across the curve; increased tender participation – for example, via minimum bidding expectations or incentive-aligned obligations – and reduced execution risk; and closer alignment with gilt market conventions, where a small number of respondents referenced GEMM-type frameworks as a model for ensuring orderly functioning in both primary and secondary markets.

7.7 The concerns and risks associated with obligations on participants were some of the most substantial themes across the responses. Some key issues highlighted were:

- Risk of reducing participation or dealer exit: many respondents warned that obligations introduced before structural reforms (notably a repo facility and larger lines) could deter firms from acting as TBPPs or reduce participation in both UK T-bill and gilt markets.

- Balance sheet strain and cost implications: respondents noted that mandatory quoting or minimum inventory requirements would be costly in an environment where balance sheet usage may already be constrained due to Leverage Ratio requirements.
- Risk of false liquidity or wide, unusable quotes: some noted that compulsory two-way pricing might produce quotes that are too wide to be meaningful, or distort market-maker behaviour.
- Crowding out or distortion of other markets: a number of respondents warned that obligations could displace balance sheet capacity away from gilts, undermining wider market functioning.
- Administrative and operational burden: some respondents also noted the risk of increased reporting, compliance, and supervisory processes for firms as a result of such obligations.

7.8 Respondents delivered a strong and consistent message on the relationship between market-making obligations and the sequencing of reforms: obligations should not be introduced until the underlying market infrastructure is sufficiently developed. In particular, respondents emphasised that introducing obligations in the absence of a functioning repo facility (discussed in Chapter 8 of this response) would be counterproductive. Without assured access to repo, dealers would be required to warehouse inventory at significant balance sheet cost, making sustained two-way pricing uneconomical and risking a deterioration in market liquidity rather than an improvement.

7.9 Respondents highlighted that scale and fungibility are prerequisites for effective obligations. Many argued that obligations rely on the existence of larger, more concentrated benchmark lines, which allow dealers to manage inventory efficiently and support consistent pricing. Fragmentation across several small ISINs was seen as incompatible with mandatory quoting or participation requirements. Alongside this, respondents stressed the importance of pairing any obligations with meaningful incentives, such as auction-related benefits, recognition frameworks, or enhanced operational access, to ensure that obligations support liquidity provision rather than discourage participation.

7.10 More broadly, respondents set out several design principles that could underpin any obligations framework. These included the need for proportionality, with expectations calibrated to firms' size, trading capacity, and the maturity of the market – and with a clear focus on primary dealers (including GEMMs) or TBPPs only, rather than investors or platforms. The majority of respondents favoured incentive-based approaches over punitive measures, highlighting that positive reinforcement would be more effective in encouraging sustained market-making activity. Clear sequencing was seen as essential, with obligations phased in only after repo access and deeper, more liquid markets were firmly established.

Government response

While respondents expressed a range of views on the potential role of market-making expectations or obligations, there was no clear consensus in favour of introducing them at this stage.

Overall, feedback was cautious about the introduction of market-making obligations, noting that such measures should be sequenced carefully and supported by the right market infrastructure. Respondents consistently emphasised the importance of establishing strong market foundations (via a functioning repo facility and greater issuance scale) before considering any such measures, alongside the value of proportionate (including incentive-driven), targeted interventions. Without these foundations, respondents warned that introducing obligations risks undermining, rather than strengthening, market liquidity.

In developing the T-bill market, the government's immediate focus is implementing the necessary reforms to support liquidity and monitoring how the market responds. The government agrees with respondents' feedback, and considers that the risks associated with the introduction of expectations or obligations on market participants, in absence of a well-developed secondary market, could offset measures aimed at improving market liquidity. The government therefore will not take forward the introduction of such measures at this stage.

HMT and DMO will, however, consistent with the government's debt and cash management objectives, keep under review the potential benefits, costs, and risks of introducing expectations or obligations around activity and participation in the T-bill market, in light of how the market evolves.

Chapter 8

DMO repo market activity

Consultation questions

28. To what extent would T-bill primary and secondary (including cash and repo) market activity be supported if the DMO were to provide a standing repo facility (SRF) for T-bills which could ensure that TBPPs can access and deliver any T-bill at any time?

29. What issues or risks might be associated with the introduction of such a facility?

30. What other repo market activity could the DMO undertake to support the primary and secondary (including cash and repo) market in T-bills?

8.1 The majority of respondents in this section were in favour of a SRF for UK T-bills. Support was broad across a range of firm types, including TBPPs, asset managers, bank and building society treasuries, and trade bodies representing a variety of different firms. Many respondents mentioned that the introduction of a SRF would materially improve liquidity conditions:

- Several respondents noted that a SRF for T-bills would give dealers confidence in their ability to source particular T-bills to cover short positions, which would improve their ability to provide two-way pricing. Some respondents anticipated that repo market activity would improve as a result.
- There were isolated mentions that the DMO's existing ability to issue T-bills on a bilateral basis involves the permanent creation of a T-bill, which is not suitable for covering short positions. A small number of firms also mentioned that a SRF would help reduce settlement fails.
- It was also noted that a SRF could support demand at T-bill tenders, given improved secondary market activity could improve the attractiveness of the instrument more generally.
- Several respondents mentioned explicitly that the introduction of a SRF for T-bills is one of the most important reforms to improve market activity. Some respondents suggested that such a facility should be a precursor to other changes.

8.2 Respondents noted several risks and/or design considerations associated with the introduction of a SRF for T-bills:

- Several respondents noted that the fee rate should be carefully considered. Some firms noted that a rate too low could encourage overreliance, moral hazard, and disintermediation; some also noted that a punitive rate would discourage use altogether.
- A small number of firms highlighted that the design of any SRF should address how to handle securities borrowed to maturity.
- A small number of respondents also called for the DMO to retain a share of T-bills after issuance for collateral purposes. which could be deployed in the repo market.

8.3 Outside the SRF, respondents also suggested that greater acceptance of T-bills in General Collateral repo would be helpful in facilitating the use of these instruments as collateral.

8.4 There were some calls for the DMO to take a number of other measures, including: offering switches to allow for exchanges of T-bills with different maturities and potentially prevent overreliance on any SRF, and introducing supply of off-the-run T-bills to address specialness in particular lines.

Government response

A SRF for T-bills

In summary, feedback was strongly supportive of the introduction of a SRF for T-bills, in which the DMO would lend out T-bills in a similar way to the existing facility for gilts. Respondents noted that calibration should be carefully considered to achieve the intended outcome.

The government plans to introduce a SRF for T-bills. Such a facility will provide confidence to dealers that they can cover short positions (by enabling them to borrow temporarily T-bills at any time), hence improving their ability to make two-way prices. In turn, this would promote secondary market activity, which is consistent with the government's consultation aims. A SRF would also help avoid the prospect of delivery and settlement failures.

The SRF for T-bills is envisaged to involve the DMO lending any T-bill via repo, which may involve temporary creation of the relevant T-bill. The government anticipates that the facility will be available to Treasury Bill Primary Participants that have signed the relevant documentation, so they can be assured of being able to access and deliver any T-bill at any time, albeit subject to any limits and other requirements (including the price) as set out in the applicable Terms and Conditions.

It is expected that any operations under the SRF for T-bills will usually involve a back-to-back, cash-for-cash reverse repo of gilt collateral with the same counterparty, at the Bank of England's prevailing Bank Rate.

The government will make further announcement about the SRF, including its parameters, at Autumn Budget 2026.

T-bill collateral pool to support DMO repo activity

The government also intends to maintain a T-bill collateral pool, which will be available for the DMO to deploy in the secondary market as collateral and will not be available for outright sale. In this respect, the pool will be analogous to the DMO's existing gilt collateral pool.[21]

The government envisages that maintaining and deploying a T-bill collateral pool will improve secondary market activity and reduce the risk that a SRF for T-bills will be persistently triggered – a concern, noted by several consultation respondents, that would result in the frequent creation of collateral.

The government envisages that collateral could be created and issued to the DMO at weekly tenders, to build and maintain the pool. This process will begin at T-bill tenders after Autumn Budget 2026.

The government will make further announcements about the creation of a T-bill collateral pool to support the DMO's activities at Autumn Budget 2026.

[21] Further information about the DMO's collateral pool can be found on the DMO's website at: https://dmo.gov.uk/responsibilities/money-markets/instruments-and-operations-used-in-exchequer-cash-management/.

Chapter 9
Other views

Consultation questions

31. How would you expect market functioning to be affected by any changes in T-bill issuance, including in the context of their short duration?

32. In your view, what is likely to be the most effective combination of potential reforms to effectively increase T-bill primary market participation and T-bill secondary market activity?

33. Please share any other views you have about T-bills, including around the expansion and deepening of the T-bill market and associated costs, benefits, and risks.

9.1 Respondents generally expected that developments to the UK T-bill market and issuance would improve market functioning. Many emphasised that larger and more regular issuance, alongside fewer, more fungible lines, would support secondary market liquidity and enable dealers to manage inventory more efficiently, resulting in tighter bid-offer spreads.

9.2 It was noted that short duration does not impede liquidity generally; rather, it is fragmentation and scarcity that limit trading. Some respondents cautioned that expanding maturities or issuance too quickly could dilute liquidity given existing structural constraints in the market. Overall, respondents saw issuance design – size, regularity, and fungibility – as supportive for market functioning.

9.3 Respondents consistently advocated a package of mutually reinforcing reforms, rather than isolated measures. The most commonly cited combination included: a lending facility for T-bills to underpin secondary market making and short position covering; larger, more concentrated ISINs, supported by predictable issuance calendars; and then introducing any market making expectations or incentives only after these foundations are in place.

9.4 Several respondents added that regulatory alignment, including leverage and operational treatment – and, for retail segments, tax and wrapper clarity – would further support demand. Some suggested that new innovations, including digital or green T-bills, and improved market transparency would help further, but typically as complements rather than substitutes for core liquidity infrastructure. The prevailing view was that repo access, scale, and predictability, in the right

sequence, are the key levers to unlock both primary and secondary participation.

9.5 Respondents broadly supported the government's plans to expand and deepen the T-bill market, citing benefits such as improved liquidity, a more resilient short-term funding base, and broader investor participation, including potential future demand from new investor types.

9.6 They also however highlighted risks and trade-offs, including potential crowding-out effects in adjacent markets (short-dated gilts, bank deposits, and NS&I) and the need to manage rollover and operational risks carefully. Many stressed the importance of gradualism and clear communication, warning that piecemeal or poorly sequenced reforms could undermine confidence. Overall, respondents favoured a phased, coordinated approach that balances market deepening with stability.

9.7 In summary, respondents emphasised that improving market infrastructure is the primary determinant for developing the T-bill market. They advocated a coordinated reform package, centred on repo access, scale, and predictability, with careful sequencing and incentives. While supportive of expansion, respondents stressed gradual implementation and risk management, to ensure benefits to liquidity and resilience outweigh potential costs.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk

DMO contacts

If you have general enquiries about the DMO and its work, contact:

Email: communications@dmo.gov.uk