STATUTORY INSTRUMENTS

2024 No. 1023

CHILD TRUST FUNDS

The Child Trust Funds (Amendment) (No. 2) Regulations 2024

Made - - - -	*9th October 2024*
Laid before Parliament	*14th October 2024*
Coming into force - -	*4th November 2024*

The Treasury make these Regulations in exercise of the powers conferred by sections 3(1) to (5) and 28(2) and (3) of the Child Trust Funds Act 2004(**a**).

Citation and commencement

1. These Regulations may be cited as the Child Trust Funds (Amendment) (No. 2) Regulations 2024 and come into force on 4th November 2024.

Amendment of the Child Trust Funds Regulations 2004

2. The Child Trust Funds Regulations 2004(**b**) are amended as follows.

Amendment of regulation 8

3. In regulation 8 (general requirements for accounts)(**c**), in paragraph (2)—

(a) after sub-paragraph (a) insert—

"(aa) where the account investments are fractional interests—

(i) the requirement under sub-paragraph (a) applies in relation to the beneficial ownership of the whole share in which the named child holds a fractional interest, and

(ii) the beneficial interest held by the named child shall be in proportion to the fractional interest in the whole share;";

(b) in sub-paragraph (b), after "except" insert "in relation to a fractional interest and";

(c) after sub-paragraph (b) insert—

"(ba) investments in fractional interests are treated as meeting the requirements of sub-paragraph (b) if (and only if) the title to the whole share in which the named child holds a fractional interest meets the requirements of that sub-paragraph;";

(**a**) 2004 c. 6. Section 3(4) was amended by section 62(4) of the Deregulation Act 2015 (c. 20).
(**b**) S.I. 2004/1450.
(**c**) Paragraph (2) of regulation 8 was amended by S.I. 2004/2676 and 2015/876.

(d) after paragraph (e) insert—

"(ea) in relation to investments in fractional interests, where the named child holds more than one fractional interest in relation to the same investment, the aggregated value of which amounts to at least one whole share (an "aggregated whole share")—

(i) the obligations under sub-paragraphs (d) and (e) apply to the manager in relation to the named child who holds the aggregated whole share, and

(ii) the aggregated whole share is subject to the requirements in sub-paragraphs (b) and (c);".

Amendment of regulation 11

4. In regulation 11 (general investment rules), for paragraph (3) substitute—

"(3) All other transactions by way of sale or otherwise by an account provider in investments under account, and all transactions by way of trade or otherwise of an investment in fractional interests—

(a) shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market, and

(b) in the case of transactions in fractional interests, the price shall be proportionate to the size of the fraction relative to the whole share.".

Amendment of regulation 12

5. In regulation 12 (qualifying investments for an account)(**a**)—

(a) in paragraph (2)—

(i) in sub-paragraph (a), before the word "shares" (where it first appears) insert "subject to paragraphs (2B) and (2C),";

(ii) in sub-paragraph (f), before the word "shares" insert "subject to paragraphs (2B) and (2C),".

(iii) after sub-paragraph (q) insert—

"(qa) subject to paragraphs (2B) and (2C), shares of a UK UCITS, a recognised UCITS or non-UCITS retail scheme that are listed on or admitted to trading on a recognised stock exchange;";

(b) after paragraph (2)(r) insert—

"(s) an interest in a fraction of a share where the named child holds the beneficial interest in a fraction that is less than one whole share under terms which are contained in a contractual arrangement between the named child and the manager ("fractional interest").";

(c) After paragraph (2A)(**b**) insert—

(**a**) Paragraph (2) of regulation 12 was amended by S.I. 2005/3349, 2010/582, 2013/1744, 2014/649, 2014/1453, 2019/713 and 2023/269.

(**b**) Paragraph (2A) was added by S.I. 2020/29.

"(2B) An interest in a fraction of a qualifying investment falling within any of sub-paragraphs (a) to (j) of paragraph (2) is not a qualifying interest for an account unless it is a fractional interest within the meaning of sub-paragraph (s) of that paragraph.

(2C) In sub-paragraph (s) of paragraph (2), "shares" means shares which are qualifying investments in accordance with sub-paragraphs (a), (f) or (qa) of that paragraph.".

Amendment of the Schedule

6.—(1) Paragraph 2(2)(a) of the Schedule (stakeholder accounts)(**a**) is amended as follows.

(2) After paragraph (vii) insert—

"(viii) fractional interests in shares in an investment trust (shares in an investment trust are specified in regulation 12(2)(f));

(ix) interests in a fraction of a share (as specified in regulation 12(2)(a));.

(x) shares specified in regulation 12(2)(qa), unless it is a requirement of the scheme in which the shares are held that the purchase and sale price of the shares shall, at any given time, not differ from each other and that the price must be available to the public on a daily basis.".

Jeff Smith
Vicky Foxcroft
9th October 2024 Two of the Lords Commissioners of His Majesty's Treasury

(**a**) Paragraph (2) of Schedule 1 was amended by S.I. 2004/2676, 2004/3382, 2006/2684, 2013/1744, 2017/185 and 2019/713.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450) ("the principal Regulations").

Regulation 3 amends regulation 8 of the principal Regulations to specify the requirements that fractional interests in shares must meet to be included in a child trust funds account and makes provision as to when fractional interests must be aggregated into whole shares.

Regulation 4 amends regulation 11 of the principal Regulations to make provision as to the price at which other transactions by way of sale or otherwise, and of fractional interests, are to be traded.

Regulation 5 amends regulation 12 of the principal Regulations to include fractional interests which meet the prescribed conditions as qualifying investments for a child trust funds account. It inserts new paragraphs (2B) and (2C) which prescribe the shares and investments which qualify.

Regulation 6 amends the Schedule to the principal Regulations to prescribe accounts which do not directly holds investments in fractional interests in shares in investment trusts or in shares issued by a company officially listed on or admitted to trading on a recognised stock exchange as having the characteristics of a stakeholder account.

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