EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2026

2026 No. 250

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of His Majesty's Treasury and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Helen Page, Deputy Director for Pensions, Savings and Charities at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Helen Williams at HMRC can be contacted by email at the following address with any queries regarding the instrument: savings.audit@hmrc.gov.uk. Alternatively, the department can be contacted by telephone: 03000 200 3300.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Child Trust Funds Regulations 2004 to deliver the Government's decision that, with effect from 6 April 2026 cryptoasset exchange traded notes (cETNs) cannot be held within a Child Trust Fund (CTF). It also provides that cETNs which were held in a CTF prior to 6 April 2026 can be retained within the account.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) of which the instrument forms part of the law) is the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 A CTF is a tax-advantaged savings product designed for eligible children born between 1 September 2002 and 2 January 2011. It provides relief from tax on income and gains within the account. The CTF rules, including which investments qualify for inclusion and the basis on which accounts must operate, are set out in the CTF Regulations. One such rule is that only authorised or recognised investments may be held in a CTF. Currently, cETNs are not defined separately and are treated under the general category of securities. The Government has decided that, with effect from 6 April 2026, cETNs cannot be held within a CTF.

5.2 The instrument amends the CTF Regulations to define cETNs for the purposes of the Regulations and provides that cETNS, as defined, are not eligible for a CTF. It also provides that cETNS which were held in a CTF prior to 6 April 2026 can be retained within the account.

What was the previous policy, how is this different?

5.3 The existing CTF Regulations provide that securities are qualifying investments for a CTF. The definition does not specifically exclude cETNs. As a result and following recent and historical changes to the Financial Conduct Authority's marketing rules, it is possible that cETNs have been marketed to investors and are held within CTFs.

5.4 On 8 October 2025 it was announced that access to a cETN should be restricted to the Innovative Finance ISA. This change reflects the Government's commitment to ensuring access to a diverse range of assets within adult tax-free savings products, while recognising the evolving nature of digital finance. CTFs do not have the equivalent of an Innovative Finance ISA. The change to CTF eligibility recognises that cETNS are classified as restricted mass market investments given their risk profile and volatility and ensures that qualifying investments for a CTF are appropriate for the account.

6. Legislative and Legal Context

How has the law changed?

6.1 The instrument will amend Regulation 2(1) to provide a definition of UK cryptoasset exchange traded notes.

6.2 The instrument will amend Regulation 12 to provide that, with effect from 6 April 2026, cETNs are not qualifying investments for CTFs unless they were held in an account immediately before 6 April 2026.

Why was this approach taken to change the law?

6.3 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 Policy officials in HMRC and HMT have regular discussions with industry representatives and CTF providers on the operational design of CTFs, potential improvements, and the application of the CTF rules. Additionally, technical consultation on the draft legislation and the operational consequences of the changes, took place between 10 December 2025 and 12 January 2026. No issues were identified with the text of the amending legislation.

8. Applicable Guidance

8.1 HMRC's Guidance Notes for Child Trust Fund managers available on the gov.uk website[1] will be amended to reflect the changes to the ISA rules.

[1] Guidance Notes for ISA managers: http://www.gov.uk/government/collections/isa-managers-guidance

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument will be published on the gov.uk website.[2]

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The change to cETNs was announced on 8 October. The change will have a negligible impact on those CTF providers who offered cETNs in their products before the restrictions became effective as cETNs which were held prior to 6 April 2026 can remain within the account.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because the changes do not affect how businesses interact with HMRC.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that HMRC will continue to review compliance with the CTF Regulations using information provided annually and through regular contact with CTF providers and other public sector bodies.

10.2 The instrument does not include a statutory review clause, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, because it amends a provision to vary tax.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).

[2] Tax Information and Impact Note: https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins