EXPLANATORY MEMORANDUM TO

THE STAMP DUTY AND STAMP DUTY RESERVE TAX (CASSA DI COMPENSAZIONE E GARANZIA S.p.A.) REGULATIONS 2011

2011 No. 2205

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 These regulations remove multiple charges to stamp duty and stamp duty reserve tax ("SDRT") from transactions made on a regulated market, a multilateral trading facility or over the counter and which are transferred through certain recognised clearing houses (also known as central counterparties), their members and their nominees. These regulations ensure that stamp charges are only paid once, as intended, by the ultimate purchaser.

2.2 In these regulations the recognised clearing house is Cassa di Compensazione e Garanzia S.p.A. ("CC&G").

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 When shares in UK companies are traded on a regulated market, a multilateral trading facility or over the counter, the use of a central counterparty (CCP) to clear and settle the transactions will involve a number of transfers of those shares, each of which is potentially chargeable to stamp duty or SDRT.

4.2 Sections 116 and 117 of the Finance Act 1991 permit the Treasury to make regulations to remove such multiple charges in respect of what is essentially a single sale and purchase. These regulations will ensure that multiple charges to stamp duty or SDRT will not arise when shares are transferred between non-clearing and clearing members of CC&G and between prescribed recognised clearing houses.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- ***What is being done and why***

7.1 CC&G is recognised by the Financial Services Authority as a Recognised Overseas Clearing House under the Financial Services and Markets Act 2000. As such, it is a CCP. The interposition of a CCP between the ultimate seller and the ultimate purchaser in share trades result in a chain of transfers of securities each of which potentially attracts a charge to stamp duty or SDRT.

7.2 These regulations will maintain liquidity in the securities markets by continuing to ensure that multiple charges to stamp duty and SDRT do not arise in respect of what is essentially a single transaction.

- ***Consolidation***

7.3 Not applicable.

8. Consultation outcome

8.1 This instrument followed a request for stamp relief from, and consultation with, representatives from CC&G.

9. Guidance

9.1 No HM Revenue & Customs guidance or other form of publicity is regarded as necessary, beyond the publication of the new instrument.

10. Impact

10.1 The regulations will foster competition between CC&G and other clearing service providers in providing a choice of CCP which will help to reduce clearing costs imposed on trading participants.

10.2 There is no impact on other businesses, charities or voluntary bodies.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 Her Majesty's Revenue & Customs will monitor the practical application of the new regulations.

13. Contact

Simon English at HM Revenue and Customs, Tel: 020 7147 2808 or e-mail: Simon.English@hmrc.gsi.gov.uk, can answer any queries regarding the instrument.