EXPLANATORY MEMORANDUM TO

THE STAMP DUTY AND STAMP DUTY RESERVE TAX (EXTENSION OF EXCEPTIONS RELATING TO RECOGNISED EXCHANGES) (AMENDMENT) REGULATIONS 2007

2007 No. 458

1. This explanatory memorandum has been prepared by the Commissioners of 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. Description

The regulations amend the Stamp Duty and Stamp Duty Reserve Tax (Extension of Exceptions relating to Recognised Exchanges) Regulations 2006 to prescribe the market known as Instinet Chi-X and operated by Instinet Chi-X Limited as a multilateral trading facility to which the Stamp Duty and Stamp Duty Reserve Tax exemptions for sales of stock to intermediaries and for repurchases and stock lending may apply.

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

3.1. These Regulations were originally submitted in a form in which they were described as being laid before Parliament. This was an error, as these Regulations are required to be laid before the House of Commons (see section 50(8) of the Finance (No. 2) Act 2005) (c. 22).

3.2. The House of Lords refused to accept the laying of these Regulations before them; and this matter was accordingly returned to HM Revenue and Customs ("HMRC").

3.3. HMRC accordingly approached the Office of Public Sector Information ("OPSI") for the issue of a correction slip: the correction being that the word "Parliament" should be replaced by the words "House of Commons".

3.4. OPSI have produced a reprint: the reasons being that a reprint was more cost effective than issuing a correction slip, and that the Regulations, although printed, had not been published.

3.5. HMRC approached the Select Committee for guidance as to how what had happened should be explained; and were asked to expand the contents of this Explanatory Memorandum to give that explanation.

3.6. In the documents now submitted to the Select Committee, therefore, the Regulations contain the correction specified in paragraph 3.3; and this Part of the Explanatory Memorandum is new (replacing the word "None"). No other changes have been made to the documents originally submitted.

3.7. Her Majesty's Revenue and Customs apologise for the problems that have arisen.

4. Legislative Background

The regulations made on 25th January 2006 prescribed the market known as Instinet CHi-X and operated by Instinet Europe Limited for the purpose of section 50 of the Finance (No.2) Act 2005. The amendment now made is to reflect the transfer of the market to a different company, Instinet Chi-x Limited.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Economic Secretary to the Treasury has made the following statement regarding Human Rights: In my view the provisions of the Stamp Duty and Stamp Duty Reserve Tax (Extension of Exceptions relating to Recognised Exchanges)(Amendment) Regulations 2007 are compatible with the Convention rights.

7. Policy background

Intermediary and repurchases and stock lending reliefs apply to persons who provide liquidity to securities exchanges and to other prescribed markets that are “multilateral trading facilities”. The amendment made by these regulations will enable the regulations made in January 2006 to continue to have their intended effect, following the transfer of the market known as Chi-x to a different group company.

8. Impact

A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

Ian Burton at Her Majesty's Revenue and Customs Tel: 020 7147 2788 or e-mail: ian.burton@hmrc.gsi.gov.uk can answer any queries regarding the instrument.