EXPLANATORY MEMORANDUM TO THE

STAMP DUTY AND STAMP DUTY RESERVE TAX (EXTENSION OF EXCEPTIONS RELATING TO RECOGNISED EXCHANGES) REGULATIONS 2005

2005 No. 1990

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

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

2. Description

The regulations specify AIM, OFEX and ITG as multilateral trading facilities 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

None

4. Legislative Background

The regulations are made under section 50 of the Finance (No. 2) Act 2005. This enables the Stamp Duty and Stamp Duty Reserve Tax exemptions for intermediaries and for repurchases and stock lending to apply to markets that are specified by the Treasury as multilateral trading facilities that meet the conditions of the Clause.

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) Regulations 2005 are compatible with the Convention rights.

7. Policy background

The exemptions for intermediaries and for repurchases and stock lending are to provide liquidity to securities markets. At present the exemptions are only available where trades are reported to recognised exchanges or markets prescribed under the Market Abuse provisions contained within the Financial Services and Markets Act 2000 and not to operators of multilateral trading facilities that choose to seek competitive sources to meet their market reporting obligations. The regulations will enable the traders operating through such facilities operated by AIM, OFEX and ITG to benefit from the exemptions.

8. Impact

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

9. Contact

Gareth Hills at Her Majesty's Revenue and Customs Tel: 020 7147 2802 or e-mail: gareth.hills@hmrc.gsi.gov.uk can answer any queries regarding the instrument.