EXPLANATORY MEMORANDUM TO

THE STAMP DUTY AND STAMP DUTY RESERVE TAX (INVESTMENT EXCHANGES AND CLEARING HOUSES) REGULATIONS 2008

2008 No. 2777

1. This explanatory memorandum has been prepared by HM 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 instrument contains regulations that remove the charge to stamp duty or stamp duty reserve tax when, as a result of the execution of trades on the electronic trading system known as the Equiduct Trading system (operated by Borse Berlin AG), shares in UK companies are transferred between clearing members of LCH.Clearnet Limited ('LCH.Clearnet'), by non-clearing members (or their nominees) to clearing members (or their nominees), and to or from LCH.Clearnet itself.

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

None

4. Legislative Background

4.1 When shares in UK companies are traded on the Equiduct Trading system, the use of a central counterparty 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 stamp duty reserve tax.

4.2 These Regulations will ensure that multiple charges to stamp duty or stamp duty reserve tax will not arise when shares are transferred between non-clearing and clearing members of LCH.Clearnet or when passing through LCH.Clearnet itself.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

Removing multiple charges to stamp duty or stamp duty reserve tax, these Regulations will improve liquidity in the securities markets.

8. Impact

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

8.2 The impact on the public sector is none.

9. 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.