

**EXPLANATORY MEMORANDUM TO**  
**THE STAMP DUTY AND STAMP DUTY RESERVE TAX (INVESTMENT**  
**EXCHANGES AND CLEARING HOUSES) (EUROPEAN CENTRAL**  
**COUNTERPARTY LIMITED AND THE TURQUOISE MULTILATERAL TRADING**  
**FACILITY) REGULATIONS 2008**

**2008 No. 1814**

**1.** This explanatory memorandum has been prepared by the Commissioners for HM Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

**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 Turquoise multilateral trading facility, shares in UK companies are transferred between clearing members of European Central Counterparty Limited ('EuroCCP'), by non-clearing members (or their nominees) to clearing members (or their nominees), and to or from EuroCCP itself. The Turquoise multilateral trading facility is prescribed by the regulations as a recognised investment exchange, and EuroCCP is similarly prescribed as a recognised clearing house. The regulations will apply to instruments executed to give effect to share transfers that take place on or after 30th July 2008, to electronic transfers that take place on or after 30th July 2008 and to conditional agreements where the condition is satisfied on or after that date.

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

None

**4. Legislative Background**

Sections 116 and 117 of the Finance Act 1991 enable the Treasury to make regulations in relation to recognised investment exchanges and their members, and recognised clearing houses and their nominees. The definition of 'recognised investment exchange' now includes regulated markets and multilateral trading facilities within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments. Regulations under these sections have been made previously in respect of virt-x Exchange Ltd. (S.I.1995/2051); the London International Financial Futures and Options Exchange (S.I.1997/2429); OM London Exchange Limited (S.I.1999/3262); Jiway Ltd. (S.I.2000/2995); London Stock Exchange (S.I.2001/255); EDX London Ltd (S.I.2004/3218); Eurex Clearing AG (SI 2007/1097 and 2008/164), and SIS x-clear AG (SI 2008/52).

**5. Territorial Extent and Application**

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**

When shares in UK companies are traded on the Turquoise platform, 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. 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 EuroCCP or when passing through EuroCCP itself. By removing multiple charges to stamp duty or stamp duty reserve tax, the Regulations improve liquidity in the securities markets.

## **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.

8.2 The impact on the public sector is none.

## **9. Contact**

Miles Harwood at HM Revenue and Customs, Tel: 020 7147 2801 or e-mail: Miles.Harwood@hmrc.gsi.gov.uk, can answer any queries regarding the instrument.