

## SCHEDULE

### STAKEHOLDER ACCOUNTS

#### *Description of stakeholder account*

1. An account is a stakeholder account where it has the characteristics and complies with the conditions set out in paragraph 2.

#### *Characteristics of stakeholder account etc*

2.—(1) A stakeholder account must have the characteristics set out in sub-paragraph (2) and must comply with the conditions set out in sub-paragraphs (3) to (5).

(2) The characteristics of a stakeholder account are—

(a) the account does not directly hold investments of any of the following kinds—

- (i) those referred to in regulation 12(2)(f) (shares in an investment trust);
- (ii) securities of an investment trust;
- (iii) rights in with-profits endowment policies;
- (iv) rights, under a contract of insurance, in a with-profits fund;
- (v) units or shares in a relevant collective investment scheme unless it is a requirement of that scheme that the purchase and sale price of those units or shares shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis;
- (vi) rights under a contract of insurance which are expressed as shares in funds held by the insurer unless it is a requirement of the contract of insurance that the purchase and sale price of those shares shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis;

[<sup>F1</sup>(via) shares referred to in regulation 12(2)(a) (shares issued by a company wherever incorporated and officially listed on a recognised stock exchange);]

(vii) depositary interests, where the investments concerned are investments of any of the kinds listed above in this paragraph;

(b) [<sup>F2</sup>the requirement is fulfilled that] the account provider, and any relevant person, <sup>F3</sup>... ensure that, subject to the other provisions of this paragraph, the account has exposure to equities<sup>F4</sup>...;

[<sup>F5</sup>(ba) interest accrues on investments referred to in regulation 12(2)(k) and (l) (cash deposited in a deposit account or in a share account) on a daily basis at a rate that is not less than the Bank of England base rate minus 1 per cent per annum<sup>F6</sup>, except where cash is held temporarily on deposit in the course of dealing in investments under the account];

[ when the Bank of England base rate increases, the interest rate on investments referred to in regulation 12(2)(k) and (l) (cash deposited in a deposit account or in a share account) must be raised within one month of the date of that increase;]

(bb) in relation to qualifying investments which are securities (other than in an investment trust) or a depositary interest where the relevant investments (within the meaning in that definition) are such securities, the requirement is fulfilled that—

(i) the securities fall within regulation 12(2)(c)<sup>F8</sup>, (d) or (e)], or

(ii) where the securities fall within regulation 12(2)(b)<sup>F9</sup>... or (n), the contract under which the securities are or have been acquired, or any other transaction entered into by the registered contact or any other person, has the effect that the named child is not

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exposed, or not exposed to a significant extent, to the risk of loss from fluctuations in the value of the securities exceeding 20% of the capital consideration paid or payable for the acquisition of those securities, during the period when the securities in question are held in the account.]

- (c) [<sup>F10</sup>the requirement is fulfilled that] the account provider and any relevant person <sup>F11</sup>... have regard to—
- (i) the need for diversification of investments of the account, in so far as is appropriate to the circumstances of the account; and
  - (ii) the suitability for the purposes of the account of any investment, investment strategy or investment option proposed; and
- (d) except where otherwise instructed by the registered contact, the account is subject to lifestyling.
- (3) The account provider must permit payment of subscriptions to the account by—
- (a) cheque;
  - (b) direct debit;
  - (c) standing order;
  - (d) direct credit (other than standing order).

[<sup>F12</sup>For the purposes of this sub-paragraph, those means of payment do not include payments by cash, credit card or debit card or any combination including a payment by cash, credit card or debit card.]

(4) The minimum amount which may be subscribed to the account on a single occasion is £10 except where the account provider permits a smaller amount.

(5) Deductions from the account may only be made in the circumstances, and to the extent, set out in paragraph 3.

(6) In this paragraph—

“equities” means shares issued by a company wherever incorporated and officially listed on a recognised stock exchange;

“insurer” means—

- (a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance, or
- (b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to effect or carry out contracts of insurance;

“lifestyling” means the process beginning from a date on or before the child is 13 years of age, or from when the account is opened, whichever is later, and continuing until the child is 18 years of age, by which the account provider, and any relevant person, adopts an investment strategy which aims progressively to minimise the variation or potential variation in capital value of the account caused by market conditions from time to time;

“relevant collective investment scheme” means an authorised unit trust scheme, an authorised open-ended investment company or a recognised scheme, as the case may be, as defined in section 237(3) of the Financial Services and Markets Act 2000;

“relevant person” means any person to whom the account provider has delegated any of his functions or responsibilities under the management agreement; and

“with-profits fund” means a fund maintained by an insurer in respect of a particular part of its long-term business for which—

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- (a) separate accounting records are maintained by the insurer in respect of all income and expenditure relating to that part of its business; and
  - (b) the benefits payable in respect of policies allocated to that fund are determined partly by reference to a discretion exercisable by any person.
- (7) In this paragraph, the definitions of “contract of insurance” and “insurer” must be read with—
- (a) section 22 of the Financial Services and Markets Act 2000,
  - (b) any relevant order made under that section, and
  - (c) Schedule 2 to that Act.

#### **Textual Amendments**

- F1** Sch. para. 2(2)(a)(via) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(a)**
- F2** Words in Sch. para. 2(2)(b) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(b)(i)**
- F3** Word in Sch. para. 2(2)(b) omitted (6.4.2005) by virtue of [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(b)(i)**
- F4** Words in Sch. para. 2(2)(b) omitted (6.4.2005) by virtue of [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(b)(ii)**
- F5** Sch. paras. 2(2)(ba)(bb) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(c)**
- F6** Words in Sch. para. 2(2)(ba) added (31.10.2006) by [The Child Trust Funds \(Amendment No. 2\) Regulations 2006 \(S.I. 2006/2684\)](#), regs. 1, **6**
- F7** Sch. para. 2(2)(baa) inserted (6.4.2005) by [The Child Trust Funds \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/3382\)](#), regs. 1, **6(a)**
- F8** Words in Sch. para. 2(2)(bb)(i) substituted (6.4.2005) by [The Child Trust Funds \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/3382\)](#), regs. 1, **6(b)**
- F9** Word in Sch. para. 2(2)(bb)(ii) omitted (6.4.2005) by virtue of [The Child Trust Funds \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/3382\)](#), regs. 1, **6(c)**
- F10** Words in Sch. para. 2(2)(c) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(d)**
- F11** Word in Sch. para. 2(2)(c) omitted (6.4.2005) by virtue of [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(d)**
- F12** Words in Sch. para. 2(3) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(e)**

#### *Stakeholder accounts—charges etc*

**3.—(1)** Deductions from a stakeholder account may only be made to the extent set out in this paragraph.

(2) Subject to sub-paragraph (5), charges for the management of, and other expenses in connection with, a stakeholder account may be recovered from the account to the extent that they do not exceed whichever is the greater of—

- (a) 3/730 per cent of the value of the child’s rights in the account for each day on which the account is held; or
- (b) 3/730 per cent of the value of the investments under the account for each day on which the account is held.

(3) For the purposes of sub-paragraph (2)—

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- (a) the frequency, which must be daily, weekly or monthly, with which rights or investments are to be valued; and
- (b) where valuation is to take place weekly or monthly, the day of the week or, as the case may be, the date in the month on which it is to take place,

must be specified in advance in writing by the account provider to the registered contact, and the specification may not be amended during the period of 12 months after the date on which it is made.

(4) When calculating the value of a child’s rights or of investments for the purposes of sub-paragraph (2), where the account provider has specified under sub-paragraph (3) that they are to be valued weekly or monthly—

- (a) where they are to be valued weekly, they are to be valued on such day of the week (“the specified day”) as has been so specified by the account provider (except that, where that day is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified day is to be taken to be the value of the rights on the previous specified day; and
- (b) where they are to be valued monthly, they are to be so valued on such date in each month (“the specified date”) as has been so specified by the account provider (except that, where that date is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified date is to be taken to be the value of the rights on the previous specified date.

(5) The following charges and expenses may be deducted in full from the account and are not subject to and do not count towards the limit provided for in sub-paragraph (2)—

- (a) any stamp duty, stamp duty reserve tax<sup>[F13]</sup>, value added tax<sup>[F13]</sup> or other charges <sup>[F13]</sup>(including any dilution levy)] incurred by the account provider directly or indirectly in the sale or purchase of investments held under the account;

<sup>[F14]</sup>(aa) where any amount of tax is paid or anticipated to be payable in respect of income received or capital gains realised by the account provider in respect of investments held for the purposes of the account, the amount so deducted or anticipated;]

- (b) any charges or expenses incurred by the account provider directly or indirectly in complying with an order of the court or any other requirements imposed by law; and
- (c) expenses incurred by the account provider in complying with its obligations under regulation 8(2)(d) and (e).

(6) Valuations for the purpose of sub-paragraph (2) shall be after the deduction of any charges or expenses properly deducted from the account under sub-paragraph (5).

**Textual Amendments**

**F13** Words in Sch. para. 3(5)(a) added (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(f)**

**F14** Sch. para. 3(5)(aa) inserted (6.4.2005) by [The Child Trust Funds \(Amendment\) Regulations 2004 \(S.I. 2004/2676\)](#), regs. 1, **15(g)**

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