

**EXPLANATORY MEMORANDUM TO THE STAMP DUTY AND STAMP DUTY
RESERVE TAX (INVESTMENT EXCHANGES AND CLEARING HOUSES)
REGULATIONS 2004**

2004 No. 3218

1. This explanatory memorandum has been prepared by the Commissioners of Inland Revenue and is laid before the House of Commons by Command of Her Majesty.
2. **Description**
 - 2.1 The instrument contains regulations that remove the charge to stamp duty and stamp duty reserve tax when, as a result of transactions on EDX London, shares are transferred to the London Clearing House (LCH.Clearnet) or a clearing member of EDX. The regulations will apply to share transfers that take place on or after 1 February 2005
3. **Matters of special interest to the Select Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Background**
 - 4.1 Sections 116 and 117 of the Finance Act 1991 enable the Treasury to make regulations in relation to recognised investment exchanges, recognised clearing houses and their nominees. 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.).
5. **Extent**
 - 5.1 This instrument applies to all of the United Kingdom
6. **European Convention on Human Rights**

This instrument is subject to annulment and does not amend primary legislation.
7. **Policy background**
 - 7.1 When an option or future over shares in a UK company is exercised or matures, shares may be transferred to the option or future holder who will pay Stamp Duty or Stamp Duty Reserve Tax in the normal way. These Regulations will ensure that additional charges to Stamp Duty and Stamp Duty reserve Tax will not arise when the transaction is cleared through the London Clearing House or a clearing member of EDX. 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

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Ian.Burton@ir.gsi.gov.uk can answer any queries regarding the instrument.