
STATUTORY INSTRUMENTS

1997 No. 2646

SECURITIES

The Gilt Strips (Consequential Amendments) Regulations 1997

Made - - - - *4th November 1997*
Laid before the House of
Commons - - - - *5th November 1997*
Coming into force - - *1st December 1997*

The Treasury, in exercise of the powers conferred on them by section 202(5) and (6) of the Finance Act 1996(1), and of all other powers enabling them in that behalf, hereby make the following Regulations:—

Title and commencement

1. These Regulations may be cited as the Gilt Strips (Consequential Amendments) Regulations 1997 and shall come into force on 1st December 1997.

Interpretation

2. In these Regulations—

“government securities” means any securities included in Part I of Schedule 11 to the Finance Act 1942(2);

“statutory provision” means a provision contained in any enactment or subordinate legislation (including any enacted or made after the making of these Regulations);

“strip”, in relation to any government securities, has the meaning given by section 47 of the Finance Act 1942(3);

“strippable government securities” means government securities which are, or have at any time been, exchangeable for strips thereof; and

“subordinate legislation” has the same meaning as in the Interpretation Act 1978(4).

(1) 1996 c. 8.
(2) 1942 c. 21; Part I of Schedule 11 was amended by the Finance Act 1963 (c. 25), Schedule IV, Part VII, by the National Loans Act 1968 (c. 13), section 16(3) and 14(A) (which was inserted by the Finance Act 1996 (c. 8), section 202(4)) and Schedule 6, Part II, by the Statute Law (Repeals) Act 1986 (c. 12), Schedule 1, Part III, and by the Finance Act 1989 (c. 26), Schedule 17, Part XI, and extended for this purpose by the Bank of England Act 1946 (c. 27), section 1(5) and Schedule 1, paragraph 6, and by the Coal Industry Nationalisation Act 1946 (c. 59), section 33(6).
(3) 1942 c. 21; the definition of “strip” in section 47(1B) and (1C) was inserted by the Finance Act 1996 (c. 8), section 202(2).
(4) 1978 c. 30; see section 21(1).

Modification of statutory provisions

3.—(1) Any statutory provision which applies in relation to all or any strippable government securities shall also apply, in a like manner, in relation to every strip of any government securities.

(2) Where, otherwise than for the purpose of applying in relation to them, a statutory provision refers (in whatever terms) to all or any strippable government securities, that reference shall be taken to include a reference to every strip of any government securities.

Construction of provisions applying or referring to strips

4.—(1) This regulation applies for the purposes of—

- (a) the application (whether or not by virtue of regulation 3) of any statutory provision in relation to any strip of any government securities, and
- (b) the construction of any reference in any statutory provision (including one contained in that provision by virtue of regulation 3) to any strip of any government securities.

(2) For those purposes, strips of government securities shall be taken to be securities which under their terms of issue bear a fixed rate of interest (and not to be variable interest securities).

(3) For those purposes, a payment under a strip of any government securities shall, subject to paragraph (6), be taken to have the character of a capital payment (and not of a payment of income or interest), and, accordingly—

- (a) references (in whatever terms) to the redemption of, or repayment of principal in relation to, government securities shall be taken to include references to the payment of amounts secured by strips of government securities (and to the making of payments the rights to which are represented by such strips); and
- (b) references (in whatever terms) to dividends or the payment of interest in relation to government securities shall be taken as not including references to payments which are secured (or the right to which is represented) by strips of government securities.

(4) Where a statutory provision applies in relation to strippable government securities only where they will mature for repayment within or, as the case may be, after the end of some relevant period, the provision shall be taken to apply in relation to strips only where they will mature for payment within or, as the case may be, after the end of the corresponding period.

(5) Where the only strippable government securities to which a statutory provision refers are those which will mature for repayment within or, as the case may be, after the end of some relevant period, the only strips to which the provision shall be taken to refer are those which will mature for payment within or, as the case may be, after the end of the corresponding period.

(6) Where any of the investments of the Endowment Fund mentioned in paragraph 5 of the agreement set out in the Schedule to the Agricultural Research Station Act (Northern Ireland) 1927⁽⁵⁾ are strips of government securities, payments under the strips may be treated by the Agricultural Research Institute of Northern Ireland as interest from securities and, accordingly, income of the Fund.

Savings

5. The provisions of regulations 3 and 4 do not apply—

- (a) to any statutory provision relating to any tax under the care and management of the Commissioners of Inland Revenue; or
- (b) where the context otherwise requires.

(5) 1927 c. 5 (N.I.).

Strips not to be registrable in the National Savings Stock Register

6.—(1) Section 2 of the National Debt Act 1972⁽⁶⁾(maintenance of the National Savings Stock Register) shall be amended as follows.

(2) In subsection (3) (any government stock within the meaning of the Act may be registered in the register), at the beginning insert “Subject to subsection (4) of this section,”.

(3) After that subsection insert—

“(4) There is not to be registered in the register anything which, within the meaning of section 47 of the Finance Act 1942, is a strip of any government stock.”.

Credit unions not to invest in strips

7.—(1) The Credit Unions (Authorised Investments) Order 1993⁽⁷⁾ shall be amended—

(a) in regulation 4(2)—

(i) by omitting the words “The definitions in”, and

(ii) by substituting for the word “have” the word “has”; and

(c) by inserting after paragraph 5 of the Schedule the following—

“6. Part I of this Schedule shall not be taken to include anything which, within the meaning of section 47 of the Finance Act 1942, is a strip of any securities of the Government of the United Kingdom.”.

(2) The Credit Unions (Authorised Investments) Regulations (Northern Ireland) 1995⁽⁸⁾ shall be amended by inserting after regulation 3(2) the following—

“(3) The Schedule shall not be taken to include anything which, within the meaning of section 47 of the Finance Act 1942, is a strip of any securities of the Government of the United Kingdom.”.

4th November 1997

Jon Owen Jones
John McFall
Two of the Lords Commissioners of Her
Majesty’s Treasury

⁽⁶⁾ 1972 c. 65.

⁽⁷⁾ S.I. 1993/3100.

⁽⁸⁾ S.R. (N.I.) 1995 No. 31.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations modify statutory provisions in consequence of arrangements to issue a new type of Government security called a “strip”. The arrangements will enable holders of Government securities which are declared strippable to exchange such a security for a number of different “strip” securities representing different payments (of interest or principal) remaining to be made under the original security. Such exchanges, and the terms on which strips are issued, will be contractual.

These Regulations secure that statutory provisions (whenever passed) which apply or refer to all or any strippable government securities will, in a like manner, apply or refer to strips (regulation 3). For the purposes of the application and construction of statutory provisions relating to strips, regulation 4 provides for strips to be treated as fixed-interest securities, for payments under strips to be taken to have the character of capital payments (except that the Agricultural Research Institute of Northern Ireland is permitted to treat payments made under strips held in its Endowment Fund as income of the Fund for those purposes, which has the effect of allowing the Institute to use such payments for the upkeep, maintenance and staffing of its Agricultural Research Station), and for distinctions based on maturity periods to be preserved.

None of these provisions apply in relation to certain tax provisions, nor where the context otherwise requires (regulation 5). Relevant statutory provisions are amended to secure that strips are not to be registrable in the National Savings Stock Register (regulation 6) and that credit unions do not invest in strips (regulation 7). Other amendments which draw distinctions between strips and strippable Government securities are provided for by the Government Stock (Amendment) Regulations 1997 (S.I.1997/1709).