

EXPLANATORY MEMORANDUM TO
THE STAMP DUTY AND STAMP DUTY RESERVE TAX (INVESTMENT
EXCHANGES AND CLEARING HOUSES) (EUREX CLEARING AG)
REGULATIONS 2007

2007 No. 1097

- 1.** This explanatory memorandum has been prepared by the Commissioners of 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 and stamp duty reserve tax when, as a result of the exercise of options on Eurex Deutschland and Eurex Zurich exchanges, shares in UK companies are transferred to Eurex Clearing AG or by Eurex Clearing AG to a clearing member of Eurex Clearing AG. The regulations will apply to share transfers that take place on or after 23 April 2007 or in relation 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, 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.), and EDX London Ltd (S.I.2004/3218).

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

- 7.1 When an option over shares in a UK company is exercised or matures, shares may be transferred to the option 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 an option on Eurex Deutschland and Eurex Zurich AG is exercised and

cleared through Eurex Clearing AG. 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

Ian Burton at HM Revenue and Customs, Tel: 020 7147 2788 or e-mail: Ian.Burton@hmrc.gsi.gov.uk, can answer any queries regarding the instrument.