

**EXPLANATORY MEMORANDUM RELATING TO THE
THE STAMP DUTY AND STAMP DUTY RESERVE TAX (EXTENSION OF
EXCEPTIONS RELATING TO RECOGNISED EXCHANGES) REGULATIONS 2004**

2004 No. 2421

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.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Description**

2.1 The Regulations prescribe the Alternative Investment Market of the London Stock Exchange as a market to which the Stamp Duty and Stamp Duty Reserve Tax exemptions for sales of stock to intermediaries and for repurchases and stock lending may apply.

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

3.1 None.

4. **Legislative Background**

4.1 The Regulations are made under Section 117 of the Finance Act 2002. This enables the Stamp Duty and Stamp Duty Reserve Tax exemptions for intermediaries and for repurchases and stock lending to apply to markets that are prescribed by Treasury Order if they are prescribed markets under the market abuse provisions in the Financial Services and Markets Act 2000. These provisions have been used on one previous occasion in July 2002 to apply the exemptions to OFEX (SI 2002/1975).

5. **Extent**

5.1 This instrument applies to intermediaries and to persons who engage in repurchasing and stock lending in securities listed on the Alternative Investment Market.

6. **Policy background**

6.1 The exemptions for intermediaries and for repurchases and stock lending are to provide liquidity to securities markets. The exemptions are presently available to transactions on the Alternative Investment Market because it is an EEA Regulated Market. These Regulations will enable the exemptions to continue to apply to that Market following a change in its regulatory status on 12 October 2004.

7. **Impact**

7.1 A Regulatory Impact Assessment has not been prepared for this instrument as it will have a negligible impact on business, charities or voluntary bodies.

8. **Contact**

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