EXPLANATORY MEMORANDUM TO THE
THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2004

2004 No.2676

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty.

2. Description

These regulations supplement and amend the main Child Trust Funds regulations. They provide for early access to Child Trust Fund accounts for terminally ill children, make changes to the list of qualifying investments for the Stakeholder Child Trust Fund and also make changes to the main CTF regulations.

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

None

4. Legislative Background

4.1 These regulations supplement the main CTF regulations by providing for early access to CTF accounts for terminally ill children. The regulations also make some amendments to the main CTF regulations. In addition the regulations relating to the Stakeholder Child Trust Fund account remove from the list of qualifying investments direct holdings in equities and certain securities.

4.2 The regulations are the second use of these powers since the Child Trust Funds Act 2004 received Royal Assent on 13 May 2004. The main CTF regulations, the Child Trust Funds Regulations 2004 (SI 2004 No 1450) which the present regulations supplement and amend were made and laid before Parliament on 27 May 2004.

4.3 These regulations are made under powers in section 3 (1) to (5), 5, 7, 8(1), 13,16 and 28(1) to (4) of the Child Trust Funds Act 2004.

5. Extent

This instrument applies to all of the United Kingdom.

Not applicable.

7. Policy background

7.1 The Child Trust Funds Act 2004 (c6) provides for Child Trust Fund accounts to be opened for all eligible children born on or after 1 September 2002. The Child Trust Fund is a long-term savings and investment account for children; the Government will make contributions to this account with additional payments for children from low-income families. In addition to the Government contributions the child’s family and friends will also be able to subscribe to the account up to an annual limit. The funds will be locked into the account until the child reaches the age of 18.

7.2 There are four key objectives for the Child Trust Fund:

- To help people to understand the benefits of savings and investing
- To encourage parents and children to develop the savings habit and to engage with financial institutions
- To ensure that in future all children have a financial asset at the start of adult life
- To build on financial education

Around 700,000 children a year will receive a Child Trust Fund account.

7.3 The regulations fulfil the policy objectives by making amendments to details of the scheme following feedback from interested parties. These will improve the running of the scheme. The regulations on early access for terminally ill children will allow the registered contact to withdraw money from a child’s CTF account where written evidence has been provided that the child is terminally ill. In all other cases money will be locked into CTF accounts until the child turns 18.
8. Impact

A full Regulatory Impact Assessment was prepared for the introduction of the Child Trust Funds Bill in November 2003.

9. Contact

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