

**EXPLANATORY MEMORANDUM TO THE
CHILD TRUST FUNDS (AMENDMENT NO 2) REGULATIONS 2004**

2004 No. 3382

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

2. **Description**

These regulations supplement and amend the main Child Trust Fund regulations. They provide mainly for the role of the Official Solicitor or in Scotland the Accountant of Court where children looked after by a local authority have no one with parental responsibility to manage their CTF account.

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 the role of the Official Solicitor/Accountant of Court where looked after children have no one or no one appropriate with parental responsibility to manage their accounts. The regulations also make some minor amendments to the main CTF regulations including on qualifying investments.

- 4.2 The regulations are the third use of these powers since the Child Trust Funds Act received Royal Assent on 13 May 2004. The main CTF regulations, the Child Trust Funds Regulations 2004 (SI 2004 No 1450) which these regulations supplement and amend were made and laid before Parliament on 27 May 2004. Amending regulations, the Child Trust Funds (Amendment) Regulations 2004 (SI 2004 No. 2676), were made and laid on 14 October.

- 4.3 The present regulations are made under powers in section 3 (2), (5), (7) and (10), 16 and 28(1) to (4) of the Child Trust Funds Act 2004.

5. **Extent**

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

These regulations are subject to annulment and do not amend primary legislation.

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 relating to the role of the Official Solicitor will ensure that CTF accounts of looked after children who have no one, or no one appropriate, with parental responsibility will be managed by the Official Solicitor in England, Wales and Northern Ireland and the Accountant of Court in Scotland. Without these regulations there is a risk that these accounts would be left without any management. The regulations also make amendments to the details of the CTF scheme following feedback from interested parties. This will improve the running of the scheme.

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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