

2005 No. 3349

CHILD TRUST FUNDS

The Child Trust Funds (Amendment No. 3) Regulations 2005

Made - - - - *6th December 2005*

Laid before Parliament *6th December 2005*

Coming into force - - *27th December 2005*

The Treasury, in exercise of the powers conferred upon them by sections 3, 6, 13 and 28(1) to (4) of the Child Trust Funds Act 2004(a), make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Child Trust Funds (Amendment No. 3) Regulations 2005 and shall come into force on 27th December 2005.

Amendment of the Child Trust Funds Regulations 2004

2. The Child Trust Funds Regulations 2004(b) are amended as follows.

3. In regulation 2(1)(b)—

(a) for the definition of “the Board” substitute—

““the Board” means the Commissioners for Her Majesty’s Revenue and Customs;”;

(b) insert the following definitions at the appropriate places—

““the New Collective Investment Schemes Sourcebook” means the Sourcebook of that name made by the Financial Services Authority under the Financial Services and Markets Act 2000(c);”

““non-UCITS retail scheme”—

(a) has the meaning in the New Collective Investment Schemes Sourcebook (that is, a scheme to which, or to whose authorised fund manager and depositary, Sections 5.1, 5.4 and 5.6 of that Sourcebook apply),

(b) includes a “recognised scheme” by virtue of section 270 or 272 of the Financial Services and Markets Act 2000, which would fall within paragraph (a) of this definition if it were an authorised fund, and

(c) includes a sub-fund of an umbrella which the terms of the scheme identify as a sub-fund which would fall within paragraph (a) or (b) of this definition if it were itself an authorised fund or a recognised scheme.

(a) 2004 c. 6.

(b) S.I. 2004/1450; relevantly amended by S.I. 2005/909.

(c) 2000 c. 8.

In this definition, expressions defined in the Glossary forming part of the Financial Services Authority Handbook(a) have those defined meanings;”

““qualifying units in or shares of a non-UCITS retail scheme” means that—

- (a) the instrument constituting the scheme secures that redemption of the units or shares in question shall take place no less frequently than bi-monthly (see Rule 6.2.16(6) of the New Collective Investment Schemes Sourcebook omitting the words “Except where (7) applies, and”, read with Rule 6.3.4(1), whether or not those Rules apply to the scheme), and
- (b) a provision for suspension of dealings in exceptional conditions in accordance with Rule 7.2 of that Sourcebook (or any foreign procedure which is a direct foreign equivalent of that Rule) shall not be treated as a provision contrary to paragraph (a) of this definition;”.

4. In regulation 6(4) for “, the account” to the end substitute—

“—

- (a) the account provider shall select the type or types to be used for the purposes of this regulation (subject to sub-paragraph (b)),
- (b) any type selected must be offered to the general public at the time of opening a Revenue allocated account of that type, and
- (c) if more than one type has been selected, the account to be opened shall be chosen by the account provider in rotation between the selected types of accounts.”.

5. In regulation 12(2) add at the end—

- “(o) arrangements falling within section 47 of the Finance Act 2005(b) (alternative finance arrangements) under which the person referred to in that section as Y is a financial institution;
- (p) arrangements falling within section 49 of that Act;
- (q) qualifying units in or shares of a non-UCITS retail scheme.”.

6. In regulation 14(2)(d)(c) renumber paragraph (ia) as (iia).

7. In regulation 24 (exemption from tax)—

(a) in sub-paragraph (a), after paragraph (i) insert—

“(ia)in respect of alternative finance return or profit share return paid by a financial institution (within the meanings in Chapter 5 of Part 2 of the Finance Act 2005);”;

(b) in sub-paragraph (c)(iii) for “section 333 of the Taxes Act” substitute “Chapter 3 of Part 6 of ITTOIA 2005”;

(c) in sub-paragraph (f) for “section 660B of the Taxes Act” substitute “section 629 of ITTOIA 2005”.

*Joan Ryan
Tom Watson*

6th December 2005

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) Published by the Financial Services Authority.
(b) 2005 c. 7.
(c) Regulation 14(2)(d)(ia) was inserted by S.I. 2005/909.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450). The principal effects of the amendments are to (1) provide that shares or units in non-UCITS retail schemes (a new type of collective investment scheme recognised by the Financial Services Authority) are qualifying investments for CTFs, provided that the shares or units can be redeemed at least twice monthly (2) allow CTF providers to choose which stakeholder product to use when opening Revenue allocated accounts and (3) provide for Alternative Financial Arrangements (described in the Finance Act 2005 and which include Shari'a contracts) to be qualifying investments for CTFs.

Regulation 1 provides for citation and commencement and regulation 2 for amendment of the principal Regulations.

Regulation 3(b) and 5 provide for shares and units in non-UCITS retail schemes to be qualifying investments for CTFs, subject to redemption conditions. Regulation 4 allows CTF providers to choose which stakeholder product to use when opening Revenue allocated accounts. Regulations 5 and 7(a) allow Alternative Financial Arrangements to be qualifying investments for CTFs. The remainder of the Regulations make technical amendments to the principal Regulations.

A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact (exceeding the de minimis limit) on business, charities or voluntary bodies.

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