
STATUTORY INSTRUMENTS

1998 No. 3177

The European Single Currency (Taxes) Regulations 1998

PART V

STOCK LENDING ARRANGEMENTS

Interpretation

20. In this Part of these Regulations—

“capital payment” means any payment on the euroconversion of securities other than any interest, dividend or other annual payment payable in respect of the securities;

“stock lending arrangement”, “borrower” and “lender” have the meanings given by section 263B(1)(1) of the 1992 Act.

Deemed capital payment

21.—(1) This regulation applies in a case where—

- (a) there is a stock lending arrangement in relation to securities,
- (b) a capital payment resulting from the euroconversion of those securities would, but for the arrangement, be received by the lender, and
- (c) the stock lending arrangement does not include a requirement for the borrower to make a payment to the lender that is representative of the capital payment referred to in subparagraph (b).

(2) Subject to paragraph (3), the lender shall be treated, for all purposes of the Taxes Acts, as having received a capital payment in respect of the euroconversion of the securities concerned—

- (a) on such date as it is reasonable to assume would have been, but for the arrangement, the first date on which the lender could have received the payment mentioned in paragraph (1) (b), and
- (b) in an amount equal to the amount of the payment he could have received.

(3) Paragraph (2) shall not apply where the amount of the capital payment that the lender could have received is less than 500 euros.

Renominalisation resulting in new minimum amount in which securities can be held or traded

22.—(1) This regulation applies in a case where—

- (a) there is a stock lending arrangement in relation to securities,
- (b) there is a euroconversion of those securities prior to their being transferred back to the lender under the arrangement,

- (c) the aggregate nominal value (expressed in euros) of the securities transferred to the borrower under the arrangement, or of the securities issued to replace them in the euroconversion, is, as a result of renominatisation, not a whole multiple of the new minimum denomination in which those securities can be traded at the time of the transfer of securities back to the lender under the arrangement,
 - (d) securities the aggregate nominal value of which is equal to the largest whole multiple of the new minimum denomination which does not exceed the aggregate nominal value referred to in sub-paragraph (c) are transferred back to the lender pursuant to the arrangement, and
 - (e) the borrower is required under the arrangement to pay to the lender an amount which either—
 - (i) is equal to the amount of what would, but for the arrangement, have been the proceeds of disposal of the remainder of the securities on the renominatisation received by the lender, or
 - (ii) is equal to the value, at the time of the transfer of securities back to the lender under the arrangement, of the remainder of the securities if the remainder could still be held at that time though not traded.
- (2) Where this regulation applies, the requirement for payment of the amount specified in paragraph (1)(e) is to be regarded for the purposes of section 263B of the 1992 Act as a requirement on the part of the borrower to transfer the remainder of the securities back to the lender.
- (3) The value referred to in paragraph (1)(e)(ii) is the appropriate proportion (based on nominal value) of the market value of the minimum amount of the original securities that, at the time of the transfer back of securities to the lender under the arrangement, could be traded.
- (4) Where the value, or proceeds of disposal, of the remainder of the securities referred to in sub-paragraph (e) of paragraph (1) does not exceed 500 euros, and the arrangement does not require payment of a sum equal to this amount, this regulation shall have effect as if the amount calculated in accordance with that sub-paragraph were nil and the requirement specified in that sub-paragraph were satisfied.

Payment made by borrower to lender in respect of euroconversion—chargeable gains consequences

- 23.—**(1) This regulation applies in a case where—
- (a) there is a stock lending arrangement in relation to securities, and
 - (b) a payment representative of a capital payment resulting from a euroconversion of those securities is made by the borrower to the lender.
- (2) The representative payment shall be treated, for all purposes of the Taxes Acts—
- (a) as a capital payment received by the lender in respect of the euroconversion of the securities concerned on such date as it is reasonable to assume would have been, but for the arrangement, the first date on which the lender could have received the capital payment, and
 - (b) as deductible by the borrower in computing any capital gain arising—
 - (i) on a disposal of the securities received by the borrower under the arrangement, or
 - (ii) where the euroconversion is effected by means of an exchange of securities, on a disposal of the securities received by the borrower in exchange for the original securities received by him under the arrangement.