HMRC - STSM073000 - Depositary Interests: UK Depositary Interests (DI) In Foreign Securities - Background

A UK depositary interest is a UK-registered security which represents rights to an underlying foreign security. Depositary interests are created to enable foreign securities to be bought and sold on the UK market and settled within the CREST system. A CREST nominee or any UK company registrar can issue a depositary interest, backed by an equivalent number of corresponding shares in the foreign company (which will be held by the nominee/ registrar).

Without a depositary interest, transactions in foreign shares cannot be settled through the CREST system, which is only authorised for transfers of UK - and Irish, Jersey, Guernsey and Isle of Man - registered securities. In addition, securities registered in foreign jurisdictions are normally incompatible with a paperless system.

As the depositary interests must be UK-registered, they do represent ‘chargeable securities’ for the purposes of SDRT, being ‘interests in… stocks, shares or loan capital’ (S99 FA 1986), so trading of them would prima facie give rise to a charge to SDRT (both the principal charge and 1.5 per cent charge), despite the underlying foreign securities being outside the charge. Specific exemption is therefore provided to exclude UK depositary interests from being chargeable securities for SDRT purposes, subject to certain conditions. See STSM041180 for details of the exemption.

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