HMRC - STSM126060 - Suppression Of Gross Trades

Buy and sell orders for UK ‘chargeable securities’ can be placed anonymously using a trading venue’s electronic securities trading system which are then matched by the venue although the buyer and seller do not know each other. A financial entity notably, but not restricted to, a trading venue such as a stock exchange or multilateral trading facility may, for example, allow certain transactions undertaken in ‘chargeable securities’ on its platform by a venue member to be suppressed under its rules.

The availability to suppress applies only to:

transactions which are self matched i.e. the buyer and seller are the same counterparty;

the buyer/seller operates in the same trade business capacity i.e. principal broker dealer; and

the quantity of a gross sell share order is matched with the same quantity of a gross buy order in the same security, resulting in no net share movement and settlement.

In this situation the matched gross buy/sell transactions are not reported by the venue to any central counterparty i.e. clearing house, for clearing and settlement or to the CREST system.

Participants who opt into a suppression service do so to save the clearing fee that would otherwise be incurred. Suppression services are commonly referred to as trade suppression.

In general terms, as gross suppressed trades are not reported for clearing to a central counterparty or to the CREST system for settlement, there is no transaction transparency to HM Revenue & Customs (HMRC). In these circumstances, any financial entity operating, or intending to operate, a transaction suppression service must initially enter into an arrangement with HMRC Stamp Taxes so that information, including gross transaction data, is available to HMRC outside CREST.

Those providing or using a suppression service must be aware of the SDRT gross transaction reporting obligations under Regulation 4 of the SDRT Regulations 1986 (SI 1986/1711). In this situation, particular attention is drawn to those trading persons who may operate in a dual trade capacity (i.e. both Principal and Agent broker dealing) and self matching of Agency broking trades to ensure gross transactions are correctly notified and any relevant SDRT paid to HMRC by the SDRT ‘accountable date’.

See STSM142070 for the meaning of ‘accountable date’.

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