



08 May 2013

Our ref: ICAEW Rep 69/13

ISA Shares Consultation
Pensions and Savings Team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

ISASharesConsultation@hmtreasury.gsi.gov.uk

Dear sirs

ISA qualifying investments: consultation on including shares traded on small and medium-sized enterprise equity markets

ICAEW welcomes the opportunity to comment on aspects of the consultation paper *ISA qualifying investments* published by HM Treasury in March 2013, a copy of which is available from this [link](#).

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value. Our comments reflect consultation with members of two ICAEW faculties: the Corporate Finance Faculty and the Financial Services Faculty. Details about the faculties may be found in the Appendix.

Regarding Question 1, we do not agree that the set of investments that can be held in Child Trust Funds and Junior ISAs should be expanded in line with 'adult' ISAs, to include shares traded on SME equity markets. Child Trust Funds and Junior ISAs are savings intended as a gift to children. Shares traded on SME markets are often early stage businesses and they can exhibit volatility and a lack of, or limited, liquidity, that together render them more suitable for well-informed, sophisticated investors. This investor profile would not include the children on whose behalf the investments are made.

We agree with the proposed qualifying criteria that would include company shares admitted to trading on a recognised stock exchange in the EEA. ISAs are mainstream investments which should benefit from the protections of European market regulation.

Please do not hesitate to contact me should you wish to discuss aspects of this response.

Yours faithfully

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APPENDIX

1. The Corporate Finance Faculty is the voice of corporate finance within ICAEW. The faculty is responsible for submissions to regulators on behalf of ICAEW. It provides a range of services to its members including a monthly magazine, Corporate Financier.
2. The Financial Services Faculty was established in 2007 to become a world class centre for thought leadership on issues facing the financial services industry acting free from vested interest. It draws together professionals from across the financial services sector and from the 25,000 ICAEW members specialising in the sector and provides a range of services and provides a monthly newsletter, FS Focus.