



Number 18

ISA Bulletin

3 March 2010

The ISA Bulletin keeps ISA managers informed of any new developments relating to the ISA scheme. Please ensure the appropriate people in your organisation read it.

We suggest that you keep Bulletins at the front of your copy of the Guidance Notes for ISA Managers.

What this Bulletin contains

This Bulletin contains articles on:

- Annual Returns of Information for 2009-10
- Qualifying investments - American Depositary Receipts (ADR)/American Depositary Shares (ADS)

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Annual Returns of Information for 2009-10

Amendments to the Magnetic Media Specification

The guidance for ISA managers on how to submit annual returns of information on magnetic media has been updated. The changes, which are minor, are as follows:

- (a) Page 29: the submission document has been revised. This revised document will also be published on the [HMRC website](#).
- (b) Pages 31/3: the guidance on data protection and the security of returns has been amended. The most recent advice can be viewed in our latest [Security Bulletin](#).
- (c) Page 36: the guidance on acceptable media has been amended to make it clear that each magnetic tape, floppy disk, CD, DVD or USB stick may contain only one text file.
- (d) Page 46: new contact telephone numbers for CAR Audit.

The revised [ISA Magnetic Media Specification](#) is available on the HMRC website.

Reporting the type of ISA correctly

Last year we found that some managers reported the type of ISA incorrectly. Managers should enter:

- 'A' if the ISA is a cash ISA
- 'B' if the ISA is a stocks and shares ISA
- 'X' if there were no subscriptions in the period covered by the return, or subscriptions in the period covered by the return have been transferred to another manager

See TYPE 2 RECORD STRUCTURE at page 12 of the ISA Magnetic Media Specification.

Return of media

We will not be returning any media to ISA managers.

As you know, we are in the process of implementing a comprehensive data security programme, and part of this programme requires us to minimise the risks associated with the movement of data on portable media. In this regard, a key risk is the possibility of media being lost or intercepted in transit so wherever possible we are adapting our processes to reduce the need to move media.

We have recently received legal guidance about our responsibilities concerning reusable media such as tape cartridges and USB storage devices. We have been advised that we have no legal obligation to return media although we have previously done this on request. We have looked at ways of deleting data from reusable media but we found the process both difficult and unreliable in that we were not able to achieve a guaranteed level of cleansing.

We realise this change will have implications for data providers who use reusable media but we think that, on balance, our obligation to protect customer data must take precedence. Accordingly, from 1 April 2010 we will not be returning any media to providers who make Information Returns.

We are sorry for any inconvenience this may cause you but we hope that the availability of our Secure Electronic Transfer (SET) service will make this less important as an issue as time goes by. Details of the advantages of SET and how you can register are given in our latest [Security Bulletin](#).

Qualifying investments - American Depositary Receipts (ADR)/American Depositary Shares (ADS)

We reminded you of the treatment of ADRs and ADSs in ISA Bulletin 15 (August 2009). At that time we said:

We have received a number of recent queries about ADR/ADSs. For ISA purposes, the ADR/ADS will only qualify if the underlying security would qualify in its own right for inclusion as an ISA qualifying investment. So managers need to look beyond the listing of the ADR/ADS and check the underlying investment qualifies for the ISA. If it does not, the ADR does not qualify for the ISA.

Since then we have received calls from investors who are concerned that some managers are allowing an ADR or ADS to be held in an ISA while other managers take the view that it is not a qualifying investment. Managers are responsible for checking that an investment is a qualifying investment. CAR Audit are reviewing investments offered by managers and may contact you to discuss this issue.

Future articles

Part of the purpose of the ISA Bulletins is to clarify areas of the Guidance Notes for ISA Managers. If you feel that any aspect of the guidance is unclear you should contact David Taylor. His telephone number is Tel 0151 472 6156.