

SCHEDULE 1

Regulation 19

[SCHEDULE 10 TO THE 1994 REGULATIONS]  
PERMITTED LINKS

PART I

DESCRIPTIONS OF PROPERTY BY REFERENCE  
TO WHICH BENEFITS MAY BE DETERMINED

1. Securities which are listed and to which regulation 51(2)(a) above applies.
2. Securities, other than those to which regulation 51(2)(a) above applies, in aggregate value up to a maximum of 10 per cent of the property linked benefits.
3. Land (including any interest in land) in an EEA State, Australia, Canada, the Channel Islands, Gibraltar, Hong Kong, the Isle of Man, New Zealand, the Republic of South Africa, Singapore or the United States of America.
4. Loans—
  - (a) which are fully secured by mortgage or charge on land (or any interest in land) which—
    - (i) is situated in any of the countries specified in paragraph 3 above, and
    - (ii) in the case of a loan made to a person other than a body corporate, is not used wholly or mainly for domestic purposes, and
  - (b) in relation to which the rate of interest and the due dates for the payment of interest and the repayment of principal can be fully ascertained from the terms of any agreement relating to the loan.
5. Units or other beneficial interests in—
  - (a) a scheme falling within Council Directive [85/611/EEC](#) of 20 December 1985 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities;
  - (b) a collective investment fund which satisfies the following conditions—
    - (i) the property of the fund comprises property of any of the descriptions in paragraphs 1 to 10 of this Schedule; and
    - (ii) the units are readily realisable at a price which represents the net value per unit of the assets and liabilities of the fund; and
    - (iii) the price at which the units may be bought and sold is published regularly.
6. Approved securities.
7. Loans to or deposits with an approved credit institution, an approved financial institution or an approved investment firm.
8. Income due, or to become due, in respect of property of any of the descriptions specified in the foregoing paragraphs of this Schedule.
9. Permitted derivative contracts.
10. Cash.
11. Units, by whatever name called, in a real or notional fund (not being a scheme or undertaking of a kind mentioned in paragraph 5 above) which is limited to the descriptions of property mentioned

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above, not being property falling within sub-paragraphs (a) to (d) of paragraph 16 below, and which under the contract is to be managed either—

- (a) wholly by the insurer; or
- (b) wholly or to any extent by another person being a person for whose acts and omissions in managing the fund the insurer assumes responsibility towards the policyholder as if they were the acts or omissions of the insurer, and otherwise (if at all) by the insurer.

## PART II

### INDICES BY REFERENCE TO WHICH BENEFITS MAY BE DETERMINED

12. An approved index.

## PART III

### INTERPRETATION

13. Unless the context otherwise requires, words or expressions contained in this Schedule bear the same meaning as in Part VIII of these Regulations.

14. For the purposes of this Schedule, “approved index” means either—

- (a) an index which is—
  - (i) calculated independently,
  - (ii) published at least once every week,
  - (iii) based on constituents, each of which is property falling within paragraphs 1 to 8 or 10 above, and
  - (iv) calculated on a basis which is made available to the public and which includes both the rules for including and excluding constituents and the rules for valuation which must use an arithmetic average of the value of the constituents; or
- (b) a national index of retail prices published by or under the authority of a government of a state belonging to Zone A as defined in Council Directive [89/647/EEC](#) of 18 December 1989 on a solvency ratio for credit institutions; or
- (c) an index which is—
  - (i) based on constituents, each of which is property falling within paragraphs 1 to 8 or 10 above; and
  - (ii) in respect of which a derivative contract is listed.

15.—(1) For the purposes of this Schedule, “permitted derivative contract” means a derivative contract which—

- (a) is covered and—
  - (i) which is held in connection with property of the type described in paragraph 15(2) below for the purposes of reduction of investment risks or efficient portfolio management; or
  - (ii) which has the effect of a permitted derivative contract held in connection with such property for such purposes; and
- (b) satisfies the conditions in regulations 55(6) to (8) above except that for this purpose the reference in regulation 55(7)(a)(i) to “an asset for the valuation of which provision is made

in this Part of these Regulations” shall be construed as a reference to permitted connected property.

- (2) The property described in this paragraph is either—
- (a) permitted connected property, not being a contract or asset having the effect of a derivative contract; or
  - (b) a permitted derivative contract or a contract or asset having the effect of a permitted derivative contract either of which when taken together with the permitted derivative contract mentioned first in paragraph 15(1) above has the effect that the company holds either permitted connected property or a permitted derivative contract in connection with such property.
- (3) For the purposes of this paragraph—
- (a) a derivative contract shall be deemed to be covered if it would not require a significant provision to be made in respect of it pursuant to regulation 61 of these Regulations if it were a derivative contract to which Part VIII of these Regulations applied;
  - (b) “permitted connected property” means property of any of the descriptions in paragraphs 1 to 8 or 10 above and which is not property falling within paragraph 16(a) to (d) below.

**16.** Benefits payable under any contract to which regulation 43 applies shall not be determined by reference to—

- (a) property of any of the descriptions specified in paragraphs 2, 5(b) or 7 above if the value of such property is determined, either wholly or partly, by reference to the value of, or the income from or fluctuations in the value of, property other than property of the descriptions in Part I of this Schedule; or
- (b) property of the description specified in paragraph 2 above unless the securities are realisable in the short term without any diminution in value; or
- (c) property of the description specified in paragraph 5(b) above which in aggregate value exceeds 10 per cent. of the property linked benefits, unless the contract under which the benefits are payable has been marketed in accordance with any legal restrictions which apply to the marketing of the corresponding collective investment fund; or
- (d) property of any of the descriptions specified in Part I of this Schedule which has the effect of a derivative contract other than a permitted derivative contract.