

## SCHEDULE 2

Regulation 27

### [SCHEDULE 6 TO THE 1994 REGULATIONS] PERMITTED LINKS

## PART I

### DESCRIPTIONS OF PROPERTY BY REFERENCE TO WHICH BENEFITS MAY BE DETERMINED

1. Listed securities which are readily realisable, not being securities which are—
  - (a) approved securities;
  - (b) loans or deposits of the kinds mentioned in paragraph 4 or 7 below;
  - (c) units or other beneficial interests in a collective investment fund; or
  - (d) derivative contracts.
2. Unlisted securities which are readily realisable, not being securities which are—
  - (a) approved securities;
  - (b) loans or deposits of the kinds mentioned in paragraph 4 or 7 below;
  - (c) units or other beneficial interests in a collective investment fund; or
  - (d) derivative contracts.
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 in Scotland, by standard security) 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 20th 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;
    - (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.

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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 above, not being property falling within sub-paragraphs (a) to (d) of paragraph 17 below, and which under the contract is to be managed either—

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

## 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 IV 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 18th 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) 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) has the effect of a permitted derivative contract held in connection with such property for such purposes; and
- (b) satisfies the conditions in regulation 30(6) to (8) above except that for this purpose the references in regulation 30 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 society 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 (within the meaning of regulation 30(4)) to be made in respect of it pursuant to regulation 36 of these Regulations if it were a derivative contract to which Part IV of these Regulations applied; and
- (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 17(a) to (d) below.

**16.** In this Schedule—

“collective investment fund” includes a collective investment scheme; and

“readily realisable”, in respect of an investment, has the meaning set out in paragraph 2 of Schedule 5 to these Regulations.

## PART IV

### RESTRICTIONS ON DETERMINATION OF BENEFITS BY REFERENCE TO PROPERTY DESCRIBED IN PART I

**17.** Benefits payable under any contract to which regulation 51 applies shall not be determined by reference to—

- (a) property of any of the descriptions specified in paragraphs 2, 5(b) and 7 above if the value of such property is determined, either wholly or partly, by reference to the value of, the income from, fluctuations in the value of or fluctuations in the income from, property other than property of the descriptions in Part I of this Schedule;
- (b) property of the description specified in paragraph 2 above in excess of 10 per cent. of the aggregate property linked benefits under the contract;
- (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

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- 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.