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STATUTORY INSTRUMENTS

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**2005 No. 646**

The Finance Act 2002, Schedule 26,  
Parts 2 and 9 (Amendment) Order 2005

**Amendment of Part 2 of Schedule 26 to the Finance Act 2002**

- 9.—(1) Amend paragraph 12 as follows.
- (2) In sub-paragraph (1)—
- (a) after paragraph (b) insert—
- “(bb) designated (see sub-paragraph (13));”
- (b) after paragraph (c) insert—
- “(cc) hedging relationship between a relevant contract and an asset, in the case of any company (see sub-paragraph (14));”
- (c) after paragraph (d) insert—
- “(dd) Integrated Prudential Sourcebook (see sub-paragraph (15));
- (de) long-term insurance fund (see sub-paragraph (16));”.
- (3) At the end add—
- “(13) “Designated” has the same meaning as for accounting purposes.
- (14) A company has a hedging relationship between a relevant contract on the one hand (“the hedging instrument”) and an asset on the other (“the hedged item”) if and to the extent that—
- (a) the hedging instrument and the hedged item are designated by the company as a hedge; or
- (b) in any other case the hedging instrument is intended to act as a hedge of the exposure to changes in fair value of a hedged item which is a recognised asset or an identified portion of such an asset that is attributable to a particular risk and could affect profit or loss of the company.
- (15) “Integrated Prudential Sourcebook” means the Integrated Prudential Sourcebook made by the Financial Services Authority under the Financial Services and Markets Act 2000(1).
- (16) “Long-term insurance fund” has the meaning given in section 431(2) of the Taxes Act 1988.”.