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## STATUTORY INSTRUMENTS

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# 2004 No. 3256

## The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004

### Interpretation

#### 2.—(1) In these Regulations—

“derivative contract” has the same meaning as in Schedule 26 to the Finance Act 2002;

“exchange gain or loss” includes, in the case of a derivative contract whose underlying subject matter is currency (and no other subject matter), all fair value profits or losses brought into account in relation to the contract;

“fair value accounting” has the meaning given in section 103 of the Finance Act 1996<sup>(1)</sup>;

“fair value profit or loss” means the profit or loss brought into account in relation to a derivative contract or an asset or liability representing a loan relationship where for the period in question fair value accounting is used, and where fair value accounting is used in relation to only part of a contract it means the profit or loss brought into account in relation to that part;

“underlying subject matter” has the same meaning as in Schedule 26 to the Finance Act 2002.

#### (2) In these Regulations—

“for accounting purposes” means for the purposes of accounts drawn up in accordance with generally accepted accounting practice;

“generally accepted accounting practice” has the meaning given in section 50 of the Finance Act 2004<sup>(2)</sup>; and

“amortised cost”, “designated”, “effective hedge”, “effective interest method”, “firm commitment”, “forecast transaction”, “foreign operation” and “net investment in a foreign operation” have the same meaning as for accounting purposes.

#### (3) In these Regulations any reference to an asset which is a ship or aircraft includes a reference to a contract—

(a) to which section 67 of the Capital Allowances Act 2001<sup>(3)</sup> applies; and

(b) which relates to plant or machinery which is a ship or aircraft.

#### (4) In these Regulations—

(a) any reference to a hedging instrument includes a reference to part of an instrument; and

(b) any reference to a hedged item includes a reference to part of a hedged item.

#### (5) For the purposes of these Regulations, a company has a hedging relationship between a derivative contract or a liability representing a loan relationship on the one hand (“the hedging instrument”) and an asset, liability, receipt or expense on the other (“the hedged item”) if and to the extent that—

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<sup>(1)</sup> Section 103 was inserted by paragraph 17(2)(b) of Part 1 of Schedule 10 to the 2004 Act.

<sup>(2)</sup> 2004 c. 12.

<sup>(3)</sup> 2001 c. 2.

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**Changes to legislation:** There are outstanding changes not yet made by the legislation.gov.uk editorial team to The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)

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- (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—
  - (i) the exposure to changes in fair value of a hedged item which is a recognised asset or liability or an unrecognised firm commitment or an identified portion of such an asset, liability or commitment that is attributable to a particular risk and could affect profit or loss of the company;
  - (ii) the exposure to variability in cash flows that is attributable to a particular risk associated with a hedged item that is a recognised asset or liability or a forecast transaction and could affect profit or loss of the company; or
  - (iii) a net investment in a foreign operation of the company.

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**Commencement Information**

**II** Reg. 2 in force at 1.1.2005, see [reg. 1\(1\)](#)

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**Changes and effects yet to be applied to :**

- reg 2 defn(s) added by [S.I. 2005/2012](#) regs 23(b)
- reg 2 defn(s) subst by [S.I. 2005/2012](#) regs 23(a)
- reg. 2(1) words inserted by [2019 c. 1 Sch. 20](#) para. 9(2)(a)
- reg. 2(1) words inserted by [S.I. 2013/2781](#) reg. 2(2)
- reg. 2(1) words inserted by [S.I. 2013/3209](#) reg. 10(2)(b)
- reg. 2(1) words inserted by [S.I. 2014/3188](#) reg. 8(1)(a)
- reg. 2(1) words omitted by [2019 c. 1 Sch. 20](#) para. 9(2)(b)
- reg. 2(1) words omitted by [S.I. 2013/3209](#) reg. 10(2)(a)
- reg. 2(1) words omitted by [S.I. 2015/1961](#) reg. 3(a)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(b)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(c)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(d)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(e)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(f)(i)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(f)(ii)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(g)
- reg. 2(1) words substituted by [S.I. 2014/3188](#) reg. 8(1)(h)
- reg. 2(1) words substituted by [S.I. 2015/1961](#) reg. 3(b)
- reg. 2(2) words inserted by [S.I. 2014/3188](#) reg. 8(2)(b)
- reg. 2(2) words inserted by [S.I. 2015/1961](#) reg. 3(c)
- reg. 2(2) words substituted by [S.I. 2014/3188](#) reg. 8(2)(a)
- reg. 2(5) applied by [2010 c. 8 s. 421\(3\)](#) (as inserted) by [2017 c. 32 Sch. 5](#) para. 1
- reg. 2(5) words substituted by [S.I. 2022/239](#) reg. 2(2)

**Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:**

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- reg. 2(3A) inserted by [S.I. 2011/2912](#) reg. 3
- reg. 3(1A) omitted by [S.I. 2014/3188](#) reg. 3
- reg. 3(1ZA) inserted by [S.I. 2011/2912](#) reg. 4(1)
- reg. 3(5) words substituted by [S.I. 2013/2781](#) reg. 2(3)
- reg. 3(5) words substituted by [S.I. 2014/3188](#) reg. 8(3)
- reg. 3(5)(c) words substituted by [2019 c. 1 Sch. 20](#) para. 9(3)
- reg. 3(5)(c) words substituted by [S.I. 2013/3209](#) reg. 10(3)
- reg. 4(1A) inserted by [S.I. 2011/2912](#) reg. 5(1)
- reg. 4(4A) words substituted by [S.I. 2013/2781](#) reg. 2(3)
- reg. 4(4A) words substituted by [S.I. 2014/3188](#) reg. 8(5)
- reg. 4(4A)(c) words substituted by [2019 c. 1 Sch. 20](#) para. 9(4)
- reg. 4(4A)(c) words substituted by [S.I. 2013/3209](#) reg. 10(3)
- reg. 4(4C) inserted by [S.I. 2022/239](#) reg. 2(3)
- reg 4A added by [S.I. 2005/3374](#) regs 26
- reg. 4A(7)-(7C) substituted for reg. 4A(7) by [S.I. 2014/3188](#) reg. 4(2)
- reg. 4A(7) words inserted by [S.I. 2011/698](#) reg. 5(2)
- reg. 4A(8)-(8B) omitted by [S.I. 2014/3188](#) reg. 4(3)
- reg. 4A(8A)(8B) inserted by [S.I. 2011/698](#) reg. 5(3)
- reg. 4A(9) second reg. 4A(6) renumbered as reg. 4A(9) by [S.I. 2011/698](#) reg. 5(4)

- reg. 4A(9) words substituted by S.I. 2014/3188 reg. 8(6)
- reg. 4C substituted by S.I. 2011/698 reg. 6
- reg. 4C(1) words substituted by S.I. 2014/3188 reg. 5
- reg. 5(4) words substituted by S.I. 2014/3188 reg. 8(7)(a)
- reg. 5(4) words substituted by S.I. 2014/3188 reg. 8(7)(b)
- reg. 5(4) words substituted by S.I. 2014/3188 reg. 8(7)(c)
- reg. 5A inserted by S.I. 2015/1961 reg. 4
- reg. 5ZA inserted by S.I. 2022/239 reg. 2(4)
- reg. 6-6B substituted for reg. 6 by S.I. 2014/3188 reg. 6
- reg. 6(5A)(a) word omitted by S.I. 2013/3209 reg. 10(4)(a)
- reg. 6(5A)(c) and word inserted by S.I. 2013/3209 reg. 10(4)(b)
- reg. 6(5C)(a) word omitted by S.I. 2013/3209 reg. 10(4)(a)
- reg. 6(5C)(c) and word inserted by S.I. 2013/3209 reg. 10(4)(b)
- reg. 6A(3)(b) words substituted by S.I. 2015/1961 reg. 5(a)
- reg. 6A(4)(b) words substituted by S.I. 2015/1961 reg. 5(b)
- reg. 6A(5)(a) words substituted by S.I. 2015/1961 reg. 5(c)(i)
- reg. 6A(5)(b) words inserted by 2020 c. 14 Sch. 6 para. 8(a)
- reg. 6A(5)(b) words substituted by S.I. 2015/1961 reg. 5(c)(ii)
- reg. 6A(6) inserted by 2020 c. 14 Sch. 6 para. 8(b)
- reg. 6B-6D substituted for reg. 6B by S.I. 2015/1961 reg. 6
- reg. 7(4) omitted by S.I. 2015/1961 reg. 7(a)
- reg. 7(4) words substituted by S.I. 2014/3188 reg. 8(10)
- reg. 7(5) inserted by S.I. 2015/1961 reg. 7(b)
- reg. 7(5) words inserted by S.I. 2022/239 reg. 2(5)(a)
- reg. 7(5) words substituted by S.I. 2022/239 reg. 2(5)(b)
- reg 7A added (with transtl provns) by S.I. 2009/1886 regs 357
- reg. 7A(7A) inserted by S.I. 2022/239 reg. 2(6)
- reg. 9(2A) words inserted by S.I. 2015/1961 reg. 8(a)
- reg. 9(2A) words substituted by S.I. 2014/3188 reg. 8(11)
- reg 9A added by S.I. 2005/3374 regs 210
- reg 9A am by S.I. 2006/3236 reg 5
- reg. 9A cross-heading inserted by S.I. 2014/3188 reg. 7(1)
- reg. 9A omitted by S.I. 2015/1961 reg. 9
- reg. 9A(1) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(1)(c) substituted by S.I. 2014/3188 reg. 7(2)(a)
- reg. 9A(2) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(3) words substituted by S.I. 2014/3188 reg. 8(8)(d)
- reg. 9A(3A) substituted by S.I. 2014/3188 reg. 7(2)(b)
- reg. 10(3C) words substituted by S.I. 2014/3188 reg. 8(14)
- reg 10A added by S.I. 2009/1886 regs 36
- regs 1112 added by S.I. 2005/2012 regs 211
- reg 11 am by S.I. 2006/3236 reg 6
- reg. 11(1) words substituted by S.I. 2014/3188 reg. 8(17)(a)
- reg. 11(1A) words substituted by S.I. 2014/3188 reg. 8(17)(a)
- reg. 11(4) words substituted by S.I. 2014/3188 reg. 8(18)
- reg 12 am by S.I. 2006/3236 reg 7
- reg. 12(1) words substituted by S.I. 2014/3188 reg. 8(17)(b)
- reg. 12(1A) words substituted by S.I. 2014/3188 reg. 8(17)(b)
- reg. 12(3) words substituted by S.I. 2014/3188 reg. 8(18)
- reg. 12A inserted by S.I. 2014/3325 reg. 3(2)
- reg 13 added by S.I. 2009/1886 regs 37