
EXPLANATORY NOTE

(This note is not part of the Order)

This Order inserts a new article 77A into the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ([S.I. 2001/544](#)) (“the Principal Order”) to make alternative finance investment bonds a specified investment for the purposes of the Financial Services and Markets Act 2000 ([c.8](#)) (“the Act”).

New article 77A(2) provides that arrangements fall within article 77A if they meet a number of conditions, as set out in sub-paragraphs (a) to (f).

New article 77A(3) expands upon and qualifies the conditions set out in new article 77A(2), allowing for a range of types of alternative finance investment bond.

Article 2(2) of the Order amends article 77 of the Principal Order to ensure that (a) an instrument cannot fall within both article 77 and article 77A and (b) instruments do not fall within article 77 if the only reason they do not fall within article 77A is because they do not satisfy the commercial rate of return or mandatory listing conditions (article 77A(2)(e) and (f)).

Article 2(4) and (5) of the Order amend article 78 of the Principal Order to ensure that public debt of any sort, including an alternative finance investment bond, will fall within article 78 rather than article 77A.

Article 3 of the Order amends the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 ([S.I. 2001/1062](#)) (“the Collective Investment Schemes Order”) so that alternative finance investment bonds that satisfy the conditions of the new article 77A of the Principal Order are afforded the equivalent treatment to conventional bonds which are specified investments under article 77 of the Principal Order.

The Schedule to the Order contains consequential amendments to primary and secondary legislation the broad aim of which is to treat alternative finance investment bonds in the same manner as conventional bonds.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Financial Services Strategy Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website.