

SCHEDULE 10

Regulation 43

PERMITTED LINKS

PART I

DESCRIPTIONS OF PROPERTY BY REFERENCE  
TO WHICH BENEFITS MAY BE DETERMINED

1. Securities (other than derivative contracts) which are listed.
2. Unlisted securities (other than derivative contracts) in aggregate 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 and 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) of 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 in—
  - (a) a unit trust 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) an authorised unit trust scheme other than authorised unit trust schemes falling within sub-paragraph (a) above;
  - (c) a recognised scheme within the meaning of sections 86, 87 and 88 of the Financial Services Act 1986<sup>(1)</sup> other than recognised schemes falling within sub-paragraph (a) above.
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 above and which under the contract is to be managed either—
  - (a) wholly by the insurer; or

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(1) [1986 c. 60.](#)

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- (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 policy holder as if they were the acts or omissions of the insurer, and otherwise (if at all) by the insurer.

## PART II

### INDICES BY REFERENCES 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) an index in respect of which a derivative contract is listed.

15.—(1) For the purposes of this Schedule, “permitted derivative contract” means a derivative contract to which sub-paragraph (2) below applies—

- (a) which is held for the purposes of reduction of investment risks or efficient portfolio management, and which—
  - (i) is held in connection with property falling within paragraphs 1 to 8 or 10 above for such purposes; or
  - (ii) has the equivalent effect to such a contract held in connection with such assets for such purposes;
- (b) in respect of which, having regard to its assets and liabilities, the insurer will have, so far as can reasonably be foreseen, and in the appropriate fund maintained by it, assets at the settlement date which match its obligations under that contract and from which it will fulfil those obligations; and
- (c) which—
  - (i) is listed; or
  - (ii) the insurer has entered into with an approved counterparty and which it reasonably believes may be readily closed out by entering into a further permitted derivative contract with an approved counterparty.

(2) This sub-paragraph applies to—

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- (a) a contract for differences under which the amount payable by either party is calculated by reference to fluctuations in the value of any property falling within paragraphs 1 to 10 of Part I above or in an approved index; or
- (b) a futures contract or option, in each case providing for the acquisition or disposal of property, all of which is property falling within paragraphs 1 to 10 of Part I above.

**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 paragraph 2, 5(b), 5(c) 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, fluctuations in the value of property other than property of the descriptions in Part I of this Schedule;
- (b) property of the description in paragraph 2 above unless the securities are realisable in the short term without any diminution in value.