

STATUTORY INSTRUMENTS

1998 No. 1870

The Individual Savings Account Regulations 1998

Qualifying investments for a stocks and shares component

7.—(1) This regulation specifies the kind of investments (“qualifying investments for a stocks and shares component”) which may be purchased, made or held under a stocks and shares component, and in this regulation and regulations 31 and 34, “shares” without more includes stock.

(2) Qualifying investments for a stocks and shares component to which paragraph (1) refers are—

- (a) shares, not being shares in an investment trust^{F1}—
 - (i) issued by a company wherever incorporated,
 - (ii) subject to paragraph (3), officially listed on a recognised stock exchange, and
 - (iii) in circumstances where the shares in question satisfy the condition specified in paragraph (15), or were held under the component on 6th October 2005;]

- (b) securities (“qualifying securities”)—
 - (i) issued by a company wherever incorporated,
 - ^{F2}(ii) where the securities in question satisfy—
 - (a) at least one of the conditions specified in paragraph (5), ^{F3}and]
 - (b) the condition specified in paragraph (6),^{F4} ...
 - ^{F4}(c)
 - (iii) in the case of securities of an investment trust, purchased or acquired by the account manager in circumstances where the trust satisfies the conditions specified in ^{F5}paragraph] (8);

- ^{F6}(c) gilt-edged securities which satisfy the condition specified in paragraph (12);
 - (ca) any securities issued by or on behalf of a government of any EEA State, which satisfy the condition specified in paragraph (12);
 - (cb) any securities which—
 - (i) in relation to a security mentioned in sub-paragraph (ca), would be a strip of that security if “strip” had the same meaning as in section 47 of the Finance Act 1942, with the omission of the words “issued under the National Loans Act 1968”, and
 - (ii) satisfy the condition specified in paragraph (12);]

^{F7}(cc) securities issued by a multilateral institution, contributions to which may be reported as official development assistance, listed in Part I of Annex 2 to the DAC Statistical Reporting Directive (approved by the Development Assistance Committee of the Organisation for Economic Co-operation and Development), where the securities satisfy the conditions in paragraphs (5)(b) and (6);]

(d) shares in an investment trust, listed in the Official List of the Stock Exchange, in circumstances where the trust satisfies the conditions specified in ^{F8}paragraph] (8);

^{F9}(e)

- (f) units in, or shares of, a [^{F10}UK UCITS or recognised UCITS], in circumstances where the [^{F11}units or shares satisfy the condition specified in paragraph (15)];
- [^{F12}(g) qualifying units in or shares of a non-UCITS retail scheme, in circumstances where the units or shares satisfy the condition specified in paragraph (15);]
- (h) subject to the conditions specified in paragraph (10)[^{F13}—
- (i) shares which the qualifying individual has exercised the right to acquire in accordance with the provisions of [^{F14}an approved SAYE option scheme],
 - (ii) shares which have been appropriated to the qualifying individual in accordance with the provisions of an approved profit sharing scheme, or
 - (iii) plan shares of an approved [^{F15}SIP] which cease to be subject to the plan but have remained in the beneficial ownership of the participant,]
- and such shares shall be treated as fulfilling the condition as to payment of cash in [^{F16}regulation 4(1B)(d)];
- [^{F17}(ha) a depositary interest;]
- (j) cash deposited in accordance with regulation 6(4) to (6) which an account manager holds for the purpose of investment in investments which are qualifying investments for a stocks and shares component.
- [^{F18}(k) investments which—
- (i) were held under a stocks and shares component [^{F19}or a personal equity plan] on 28th November 2001,
 - (ii) on that date were admitted to trading on a recognised stock exchange in an EEA State and were not listed by a competent authority in an EEA State for the purposes of Council Directive 2001/34,
 - (iii) since that date have not ceased to be so admitted and have not become so listed,
 - (iv) do not fall within any of the other sub-paragraphs of this paragraph, and
 - (v) are not investments which, having fallen within any of those sub-paragraphs, have ceased so to fall on or after that date.]
- [^{F20}(l) investments which—
- (i) were held under the stocks and shares component [^{F21}or a personal equity plan] on 6th April 2004; and
 - (ii) immediately before that date, fell within sub-paragraphs (e), (f) or (g), or sub-paragraph (ha) so far as the relevant investments (within the meaning in the definition of “depositary interest”) fell within any of those sub-paragraphs.]
- [^{F22}(m) units in a relevant collective investment scheme specified as a stakeholder product by regulation 5 of the Stakeholder Products Regulations, in circumstances where the units satisfy the condition in paragraph (15);
- (n) policies of life insurance falling within regulation 9, issued in respect of an insurance made on or after 6th April 2005, in circumstances where the policy satisfies the condition in paragraph (15);
- (o) policies of life insurance falling within regulation 9, issued in respect of an insurance made before—
- (i) 6th April 2004, in a case where regulation 4C(2)(a) or (b) applies, or
 - (ii) 6th April 2005, in a case where regulation 4C(3)(b) applies.]

- [^{F23}(p) in the case of a personal equity plan which is treated on and from 6th April 2008 as a stocks and shares account, investments which, immediately before that date, were qualifying investments for the plan under regulation 6(2)(m) of the Personal Equity Plan Regulations 1989;]
- (3) An investment in shares fulfils the condition as to official listing in paragraph (2)(a) or (d) if—
- (a) in pursuance of a public offer, the account manager applies for the allotment or allocation to him of shares in a company or trust which are due to be admitted to such listing within 30 days of the allocation or allotment, and which, when admitted to such listing, would be qualifying investments for a stocks and shares component, and
 - (b) the shares are not allotted or allocated to the account manager in the circumstances specified in paragraph (4).
- (4) The circumstances specified in this paragraph are where—
- (a) the allotment or allocation of the shares was connected with the allotment or allocation of—
 - (i) shares in the company or trust of a different class, or
 - (ii) rights to shares in the company or trust of a different class, or
 - (iii) shares or rights to shares in another company or trust, or
 - [^{F24}(iv) units in or shares in, or rights to units in or shares in, an authorised fund or a part of an umbrella scheme[^{F25}, or]]
 - (vi) securities or rights to securities of the company or trust, or of another company or trust,to the account manager, the account investor or any other person; and
 - (b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the account manager or account investor than they would have been if their allotment or allocation had not been connected as described in sub-paragraph (a).
- (5) The conditions specified in this paragraph are—
- (a) that the shares in the company issuing the securities are listed on the official list of a recognised stock exchange;
 - (b) that the securities are so listed;
 - (c) that the company issuing the securities is a [^{F26}75%] subsidiary of a company whose shares are so listed.
- (6) The condition specified in this paragraph is that, judged at the date when each of the securities is first held under the account, the terms on which it was issued do not—
- (a) require the loan to be repaid or the security to be re-purchased or redeemed, or
 - (b) allow the holder to require the loan to be repaid or the security to be repurchased or redeemed except in circumstances which are neither certain nor likely to occur,
- within the period of five years from that date.
- ^{F27}(7)
- (8) The condition specified in this paragraph is that not more than [^{F28}50%] in value of the investments of the [^{F29}investment trust] are [^{F30}either—
- (a) securities which would not be qualifying securities, or
 - (b) securities which would not fall within any of sub-paragraphs (c) to (cb) of paragraph (2),

if paragraph (6), or paragraph (6) as it applies with the modifications in paragraph (12), as the case may be,] required the terms on which they were issued to be judged at the date when they first became investments of the [F31investment trust].

F32(9)

(10) The conditions specified in this paragraph are—

- (a) in relation to shares which the individual has exercised his right to acquire in accordance with the provisions of [F33an approved SAYE option scheme], that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the exercise of that right;
- (b) in relation to shares appropriated to the individual in accordance with the provisions of an approved profit-sharing scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the individual directed the trustees to transfer the ownership of the shares to him or, if earlier, the release date in relation to the shares;

[F34(ba) in relation to plan shares mentioned in paragraph (2)(h)(iii), that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the plan shares ceased to be subject to the plan;]

- (c) that the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with sub-paragraphs [F35(a), (b) or (ba)] in any year, and the individual’s cash subscriptions in that year [F36to that account, do not together exceed the overall subscription limit in [F37regulation 4ZA(1)(b)] in that year, reduced by the subscriptions by the individual in that year to a cash account].

(11) In paragraph (4)(a), “company” means any body corporate having a share capital.

[F38(12) The condition specified in this paragraph is the condition specified in paragraph (6), omitting sub-paragraph (b) of that paragraph and the word “or” after sub-paragraph (a).]

[F39(13) The references to “shares” in paragraphs (2)(h) and (10) shall include references to a depositary interest where the relevant investments in question (referred to in paragraphs (a) and (b) of the definition of “depositary interest”) are shares falling within both paragraphs (2)(h) and (10).]

[F40(14) Qualifying investments for a stocks and shares component falling within sub-paragraph (ha) of paragraph (2), so far as the relevant investments (within the meaning given in the definition of “depositary interest”) fall within any of sub-paragraphs [F41(a), F42 ...]F43 ... (f)[F44or (g)] of that paragraph, must satisfy the condition specified in paragraph (15).

[F45(15) The condition specified in this paragraph is that, judged at the date on which the qualifying investments in question become held in the account (and having regard to the contractual terms and conditions then in existence) the account investor will not be entitled to a secured minimum return at any time falling within the following 5 years. The account investor is entitled to a secured minimum return if—

- (a) the contract under which the investments were acquired, or any other transaction entered into by the account investor or any other person, or
- (b) the nature of the underlying subject matter of the investments,

have the effect that the account investor is not exposed, or not exposed to any significant extent, to the risk of loss from fluctuations in the value of the investments exceeding 5% of the capital consideration paid or payable for the acquisition of those investments.]

(16) In this regulation references, in relation to qualifying investments, to—

- (a) the underlying subject matter are references to or to the value of the investments, currencies or other matters to which, or to the value of which, those qualifying investments or their

value is referable [^{F46}, and in the case of a policy of life insurance, under whose terms some or all of the benefits are determined by reference to fluctuations in, or in an index of, the value of any property of any description (whether or not specified in the policy or contract), that property or that index];

- (b) the capital consideration paid [^{F47} or payable include premiums paid or payable under a policy of life insurance, and] include the incidental costs of acquisition; and
- (c) the value are to be construed applying regulation 6(2), but deducting the incidental costs that would be incurred by a disposal [^{F48} and, in the case of a policy of life insurance, omitting any benefits payable in the event of the death of the account investor].]

[^{F49}(17) Where a policy of life insurance confers on the person to whom it is issued an option to have another policy issued for it or to have any of its terms changed, the condition in paragraph (15) shall only be satisfied if it would also be satisfied if each or any of the changes capable of being made in pursuance of such an option had been made.]

Textual Amendments

- F1** Words in reg. 7(2)(a) substituted (6.10.2005) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2005 \(S.I. 2005/2561\)](#), regs. 1, **5(a)**
- F2** Reg. 7(2)(b)(ii) substituted (6.10.2005) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2005 \(S.I. 2005/2561\)](#), regs. 1, **5(b)**
- F3** Word in reg. 7(2)(b)(ii)(a) inserted (27.12.2005) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2005 \(S.I. 2005/3350\)](#), regs. 1, **6(a)(i)**
- F4** Reg. 7(2)(b)(ii)(c) and preceding word omitted (27.12.2005) by virtue of [The Individual Savings Account \(Amendment No. 3\) Regulations 2005 \(S.I. 2005/3350\)](#), regs. 1, **6(a)(ii)**
- F5** Words in reg. 7(2)(b)(iii) substituted (6.4.2008) by [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(2)**
- F6** Reg. 7(2)(c)-(cb) substituted for reg. 7(2)(c) (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **5(2)**
- F7** Reg. 7(2)(cc) inserted (16.12.2008) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2008 \(S.I. 2008/3025\)](#), regs. 1, **4**
- F8** Words in reg. 7(2)(d) substituted (6.4.2008) by [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(2)**
- F9** Reg. 7(2)(e) omitted (6.4.2008) by virtue of [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(3)**
- F10** Words in reg. 7(2)(f) substituted (11.8.2009) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2009 \(S.I. 2009/1994\)](#), regs. 1(1), **6**
- F11** Words in reg. 7(2)(f) substituted (17.11.2003 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Individual Savings Account \(Amendment\) Regulations 2003 \(S.I. 2003/2747\)](#), regs. 1(1), **5(b)**
- F12** Reg. 7(2)(g) substituted for reg. 7(2)(g)(ga) (27.12.2005) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2005 \(S.I. 2005/3350\)](#), regs. 1, **6(d)**
- F13** Words in reg. 7(2)(h) substituted (21.8.2000) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2000 \(S.I. 2000/2079\)](#), regs. 1, **4(2)**
- F14** Words in reg. 7(2)(h)(i) substituted (6.4.2008) by [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(4)(a)**
- F15** Word in reg. 7(2)(h)(iii) substituted (6.4.2008) by [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(4)(b)**
- F16** Words in reg. 7(2)(h) substituted (1.11.2011) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2011 \(S.I. 2011/1780\)](#), regs. 1, **15(a)**
- F17** Reg. 7(2)(ha) inserted (13.12.2000) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2000 \(S.I. 2000/3112\)](#), regs. 1, **4(a)**

Status: Point in time view as at 08/08/2012. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the The Individual Savings Account Regulations 1998, Section 7. (See end of Document for details)

- F18** Reg. 7(2)(k) added (19.12.2001) by The Individual Savings Account (Amendment No. 2) Regulations 2001 (S.I. 2001/3778), regs. 1, **3(2)**
- F19** Words in reg. 7(2)(k)(i) inserted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2007 (S.I. 2007/2119), regs. 1, **12(a)**
- F20** Reg. 7(2)(l) inserted (17.11.2003 with effect in accordance with reg. 1(3) of the amending S.I.) by The Individual Savings Account (Amendment) Regulations 2003 (S.I. 2003/2747), regs. 1(1), **5(d)**
- F21** Words in reg. 7(2)(l)(i) inserted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2007 (S.I. 2007/2119), regs. 1, **12(a)**
- F22** Reg. 7(2)(m)-(o) added (with effect in accordance with reg. 1(2) of the amending S.I.) by The Individual Savings Account (Amendment No. 2) Regulations 2004 (S.I. 2004/2996), regs. 1(1), **7**
- F23** Reg. 7(2)(p) added (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2007 (S.I. 2007/2119), regs. 1, **12(b)**
- F24** Reg. 7(4)(a)(iv) substituted for reg. 7(4)(a)(iv)(v) (1.12.2001) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), arts. 1(2)(b), **172(3)**
- F25** Word in reg. 7(4)(a) substituted (2.7.2002) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2002 (S.I. 2002/1409), arts. 1, **7**
- F26** Word in reg. 7(5)(c) substituted (8.8.2012) by The Individual Savings Account (Amendment) (No. 2) Regulations 2012 (S.I. 2012/1871), regs. 1, **12(a)**
- F27** Reg. 7(7) omitted (6.4.2008) by virtue of The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(5)**
- F28** Word in reg. 7(8) substituted (8.8.2012) by The Individual Savings Account (Amendment) (No. 2) Regulations 2012 (S.I. 2012/1871), regs. 1, **12(b)**
- F29** Words in reg. 7(8) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(6)(a)**
- F30** Words in reg. 7(8) substituted (6.4.1999) by The Individual Savings Account (Amendment) Regulations 1998 (S.I. 1998/3174), regs. 1, **5(3)**
- F31** Words in reg. 7(8) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(6)(b)**
- F32** Reg. 7(9) omitted (6.4.2008) by virtue of The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(7)**
- F33** Words in reg. 7(10)(a) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(8)**
- F34** Reg. 7(10)(ba) inserted (21.8.2000) by The Individual Savings Account (Amendment No. 2) Regulations 2000 (S.I. 2000/2079), regs. 1, **4(3)(a)**
- F35** Words in reg. 7(10)(c) substituted (21.8.2000) by The Individual Savings Account (Amendment No. 2) Regulations 2000 (S.I. 2000/2079), regs. 1, **4(3)(b)**
- F36** Words in reg. 7(10)(c) substituted (6.4.2008) by The Individual Savings Account (Amendment) Regulations 2007 (S.I. 2007/2119), regs. 1, **13**
- F37** Words in reg. 7(10)(c) substituted (1.11.2011) by The Individual Savings Account (Amendment No. 2) Regulations 2011 (S.I. 2011/1780), regs. 1, **15(b)**
- F38** Reg. 7(12) inserted (6.4.1999) by The Individual Savings Account (Amendment) Regulations 1998 (S.I. 1998/3174), regs. 1, **5(4)**
- F39** Reg. 7(13) added (13.12.2000) by The Individual Savings Account (Amendment No. 3) Regulations 2000 (S.I. 2000/3112), regs. 1, **4(b)**
- F40** Reg. 7(14)-(16) added (17.11.2003 with effect in accordance with reg. 1(3) of the amending S.I.) by The Individual Savings Account (Amendment) Regulations 2003 (S.I. 2003/2747), regs. 1(1), **6**
- F41** Words in reg. 7(14) inserted (6.10.2005) by The Individual Savings Account (Amendment No. 2) Regulations 2005 (S.I. 2005/2561), regs. 1, **5(c)**
- F42** Word in reg. 7(14) omitted (27.12.2005) by virtue of The Individual Savings Account (Amendment No. 3) Regulations 2005 (S.I. 2005/3350), regs. 1, **7**
- F43** Word in reg. 7(14) omitted (6.4.2008) by virtue of The Individual Savings Account (Amendment) Regulations 2008 (S.I. 2008/704), regs. 1, **6(9)**

- F44** Words in reg. 7(14) substituted (6.4.2008) by virtue of [The Individual Savings Account \(Amendment\) Regulations 2008 \(S.I. 2008/704\)](#), regs. 1, **6(9)**
- F45** Reg. 7(15) substituted (27.12.2005) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2005 \(S.I. 2005/3350\)](#), regs. 1, **8**
- F46** Words in reg. 7(16)(a) added (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/2996\)](#), regs. 1(1), **10(a)**
- F47** Words in reg. 7(16)(b) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/2996\)](#), regs. 1(1), **10(b)**
- F48** Words in reg. 7(16)(c) added (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/2996\)](#), regs. 1(1), **10(c)**
- F49** Reg. 7(17) added (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2004 \(S.I. 2004/2996\)](#), regs. 1(1), **11**

Status:

Point in time view as at 08/08/2012. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the The Individual Savings Account Regulations 1998, Section 7.