

## SCHEDULE

Article 3

### ARRANGEMENTS NOT AMOUNTING TO A COLLECTIVE INVESTMENT SCHEME

#### *Individual investment management arrangements*

1. Arrangements do not amount to a collective investment scheme if—
  - (a) the property to which the arrangements relate (other than cash awaiting investment) consists of investments of one or more of the following kinds:
    - (i) an investment of the kind specified by any of articles 76 to 80 of the Regulated Activities Order;
    - (ii) an investment of the kind specified by article 81 of that Order (units in a collective investment scheme) so far as relating to authorised unit trust schemes, recognised schemes or shares in an open-ended investment company; or
    - (iii) a contract of long term insurance;
  - (b) each participant is entitled to a part of that property and to withdraw that part at any time; and
  - (c) the arrangements do not have the characteristics mentioned in section 235(3)(a) of the Act and have those mentioned in section 235(3)(b) only because the parts of the property to which different participants are entitled are not bought and sold separately except where a person becomes or ceases to be a participant.

#### *Enterprise initiative schemes*

- 2.—(1) Arrangements do not amount to a collective investment scheme if—
  - (a) the property to which the arrangements relate (other than cash awaiting investment) consists of shares;
  - (b) the arrangements constitute a complying fund;
  - (c) each participant is entitled to a part of the property to which the arrangements relate and—
    - (i) to the extent that the property to which he is entitled comprises relevant shares of a class which are admitted to official listing in an EEA State or to dealings on a recognised investment exchange, he is entitled to withdraw it at any time after the end of the period of five years beginning with the date on which the shares in question were issued;
    - (ii) to the extent that the property to which he is entitled comprises other relevant shares, he is entitled to withdraw it at any time after the end of the period of seven years beginning with the date on which the shares in question were issued;
    - (iii) to the extent that the property to which he is entitled comprises shares other than relevant shares, he is entitled to withdraw it at any time after the end of the period of six months beginning with the date on which the shares in question ceased to be relevant shares; and
    - (iv) to the extent that the property comprises cash which the operator has agreed (conditionally or unconditionally) to apply in subscribing for shares, he is entitled to withdraw it at any time; and
  - (d) the arrangements would meet the conditions described in paragraph 1(c) were it not for the fact that the operator is entitled to exercise all or any of the rights conferred by shares included in the property to which the arrangements relate.
- (2) In sub-paragraph (1)—

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- (a) “shares” means investments of the kind specified by article 76 of the Regulated Activities Order (shares etc.) and shares are to be regarded as relevant shares if and so long as they are shares in respect of which neither—
  - (i) a claim for relief made in accordance with section 306 of the 1988 Act has been disallowed; nor
  - (ii) an assessment has been made pursuant to section 307 of the 1988 Act withdrawing or refusing relief by reason of the body corporate in which the shares are held having ceased to be a body corporate which is a qualifying company for the purposes of that Act;
- (b) “complying fund” means arrangements which provide that—
  - (i) the operator will, so far as is practicable, make investments each of which, subject to each participant’s individual circumstances, qualify for relief by virtue of Chapter III of Part VII of the 1988 Act; and
  - (ii) the minimum contribution to the arrangements which each participant must make is not less than £2000.

*Pure deposit based schemes*

3. Arrangements do not amount to a collective investment scheme if the whole amount of each participant’s contribution is a deposit which is accepted by an authorised person with permission to carry on an activity of the kind specified by article 5 of the Regulated Activities Order (accepting deposits) or a person who is an exempt person in relation to such an activity.

*Schemes not operated by way of business*

4. Arrangements do not amount to a collective investment scheme if they are operated otherwise than by way of business.

*Debt issues*

5.—(1) Arrangements do not amount to a collective investment scheme if they are arrangements under which the rights or interests of participants are, except as provided in sub-paragraph (2), represented by investments of one, and only one, of the following descriptions:

- (a) investments of the kind specified by article 77 of the Regulated Activities Order (instruments creating or acknowledging indebtedness) which are—
  - (i) issued by a single body corporate other than an open-ended investment company; or
  - (ii) issued by a single issuer who is not a body corporate and which are guaranteed by the government of the United Kingdom, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly, the National Assembly for Wales or the government of any country or territory outside the United Kingdom;and which are not convertible into or exchangeable for investments of any other description;
- (b) investments falling within sub-paragraph (a)(i) or (ii) (“the former investments”) which are convertible into or exchangeable for investments of the kind specified by article 76 of the Regulated Activities Order (“the latter investments”) provided that the latter investments are issued by the same person who issued the former investments or are issued by a single other issuer;
- (c) investments of the kind specified by article 78 of the Regulated Activities Order (government and public securities) which are issued by a single issuer; or

(d) investments of the kind specified by article 79 of the Regulated Activities Order (instruments giving entitlement to investments) which are issued otherwise than by an open-ended investment company and which confer rights in respect of investments, issued by the same issuer, of the kind specified by article 76 of that Order or within any of paragraphs (a) to (c).

(2) Arrangements which would otherwise not amount to a collective investment scheme by virtue of the provisions of sub-paragraph (1) are not to be regarded as amounting to such a scheme by reason only that one or more of the participants (“the counterparty”) is a person—

- (a) whose ordinary business involves him in carrying on activities of the kind specified by any of articles 14 (dealing in investments as principal), 21 (dealing in investments as agent), 25 (arranging deals in investments), 37 (managing investments), 40 (safeguarding and administering investments), 45 (sending dematerialised instructions), 51 (establishing etc. a collective investment scheme), 52 (establishing etc. a stakeholder pension scheme) and 53 (advising on investments) or, so far as relevant to any of those articles, article 64 of the Regulated Activities Order (agreeing to carry on specified kinds of activities), or would do so apart from any exclusion from any of those articles made by that Order; and
- (b) whose rights or interests in the arrangements are or include rights or interests under a swap arrangement.

(3) In sub-paragraph (2), “swap arrangement” means an arrangement the purpose of which is to facilitate the making of payments to participants whether in a particular amount or currency or at a particular time or rate of interest or all or any combination of those things, being an arrangement under which the counterparty—

- (a) is entitled to receive amounts, whether representing principal or interest, payable in respect of any property subject to the arrangements or sums determined by reference to such amounts; and
- (b) makes payments, whether or not of the same amount or in the same currency as the amounts or sums referred to in paragraph (a), which are calculated in accordance with an agreed formula by reference to those amounts or sums.

#### *Common accounts*

6. Arrangements do not amount to a collective investment scheme if—

- (a) they are arrangements under which the rights or interests of participants are rights to or interests in money held in a common account; and
- (b) that money is held in the account on the understanding that an amount representing the contribution of each participant is to be applied—
  - (i) in making payments to him;
  - (ii) in satisfaction of sums owed by him; or
  - (iii) in the acquisition of property for him or the provision of services to him.

#### *Certain funds relating to leasehold property*

7. Arrangements do not amount to a collective investment scheme if the rights or interests of the participants are rights or interests in a fund which is a trust fund within the meaning of section 42(1) of the Landlord and Tenant Act 1987(1).

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(1) 1987 c. 31.

*Status: This is the original version (as it was originally made).*

*Certain employee share schemes*

**8.—(1)** Arrangements do not amount to a collective investment scheme if they are operated by a person (“A”), a member of the same group as A or a relevant trustee for the purpose of enabling or facilitating—

- (a) transactions in shares in, or debentures issued by, A between, or for the benefit of, any of the persons mentioned in sub-paragraph (2); or
  - (b) the holding of such shares or debentures by, or for the benefit of, any such persons.
- (2) The persons referred to in sub-paragraph (1) are—
- (a) the bona fide employees or former employees of A or of another member of the same group; or
  - (b) the wives, husbands, widows, widowers, or children or step-children under the age of eighteen of such employees or former employees.
- (3) For the purposes of this paragraph—
- (a) “shares” and “debentures” have the meaning given by article 71(6)(a) of the Regulated Activities Order;
  - (b) “relevant trustee” means a person who, in pursuance of the arrangements, holds shares in or debentures issued by A.

*Schemes entered into for commercial purposes related to existing business*

**9.—(1)** Subject to sub-paragraph (2), arrangements do not amount to a collective investment scheme if each of the participants—

- (a) carries on a business which does not involve any activities of the kind specified by any of articles 14, 21, 25, 37, 40, 45, 51 to 53 or, so far as relevant to any of those articles, article 64 of the Regulated Activities Order, or activities which would be so specified apart from any exclusion from any of those articles made by that Order; and
- (b) enters into the arrangements for commercial purposes related to that business.

(2) Sub-paragraph (1) does not apply where the person will carry on the business in question by virtue of being a participant in the arrangements.

*Group schemes*

**10.** Arrangements do not amount to a collective investment scheme if each of the participants is a body corporate in the same group as the operator.

*Franchise arrangements*

**11.** Franchise arrangements do not amount to a collective investment scheme.

*Trading schemes*

**12.** Arrangements do not amount to a collective investment scheme if—

- (a) the purpose of the arrangements is that participants should receive, by way of reward, payments or other benefits in respect of the introduction by any person of other persons who become participants;
- (b) the arrangements are such that the payments or other benefits referred to in paragraph (a) are to be wholly or mainly funded out of the contributions of other participants; and

(c) the only reason why the arrangements have either or both of the characteristics mentioned in section 235(3) of the Act is because, pending their being used to fund those payments or other benefits, contributions of participants are managed as a whole by or on behalf of the operator of the scheme.

#### *Timeshare schemes*

**13.** Arrangements do not amount to a collective investment scheme if the rights or interests of the participants are timeshare rights.

#### *Other schemes relating to use or enjoyment of property*

**14.** Arrangements do not amount to a collective investment scheme if—

- (a) the predominant purpose of the arrangements is to enable the participants to share in the use or enjoyment of property or to make its use or enjoyment available gratuitously to others; and
- (b) the property to which the arrangements relate does not consist of the currency of any country or territory and does not consist of or include any investment of the kind specified by Part III of the Regulated Activities Order or which would be of such a kind apart from any exclusion made by that Part of the Order.

#### *Schemes involving the issue of certificates representing investments*

**15.** Arrangements do not amount to a collective investment scheme if the rights or interests of the participants are investments of the kind specified by article 80 of the Regulated Activities Order (certificates representing certain securities).

#### *Clearing services*

**16.** Arrangements do not amount to a collective investment scheme if their purpose is the provision of clearing services and they are operated by an authorised person, a recognised clearing house or a recognised investment exchange.

#### *Contracts of insurance*

**17.** A contract of insurance does not amount to a collective investment scheme.

#### *Funeral plan contracts*

**18.** A funeral plan contract does not amount to a collective investment scheme.

#### *Individual pension accounts*

**19.** An individual pension account does not amount to a collective investment scheme.

#### *Occupational and personal pension schemes*

**20.**—(1) An occupational pension scheme does not amount to a collective investment scheme.

(2) A personal pension scheme does not amount to a collective investment scheme.

(3) Sub-paragraph (2) does not extend to a personal pension unit trust which is constituted as a feeder fund or comprises feeder funds.

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*Bodies corporate*

**21.** No body incorporated under the law of, or any part of, the United Kingdom relating to building societies or industrial and provident societies or registered under any such law relating to friendly societies, and no other body corporate other than an open-ended investment company, amounts to a collective investment scheme.