

INTERNATIONAL PORTFOLIO BONDS ACCEPTABLE ASSETS

A guide to the assets you can hold in our Wealth Management Portfolio (WMP), Wealth Planning Account (WPA) and Private Client Portfolio (PCP).

There are many different rules and regulations that apply to the assets you can hold, so we have set out some information below that will help you know what we will accept. These rules apply to all except those who have applied for a WMP with Undertakings for Collective Investment in Transferable Securities (UCITS) restriction, when special rules apply - we will go into these in detail later.

Any asset held within WMP, WPA or PCP must:

- › Comply with the UK HM Revenue & Customs (HMRC) personal portfolio bond rules, and
- › Be acceptable to Utmost PanEurope dac.

To avoid doubt, the only categories of assets that you can choose or keep are those assets that are permitted within section 520 of the Income Tax (Trading and Other Income) Act 2005 and any UK law that changes or replaces it. In addition, individual funds or holdings will only be acceptable if they are available to the public generally and include no restrictions on investment that would prevent other policyholders from choosing to invest in them.

Read on to find out what we consider acceptable and unacceptable, based on our understanding of current legislation.

ACCEPTABLE ASSETS

The following assets are acceptable within WMP, WPA and PCP.

- › Cash - in the currency of the bond, for example deposit accounts, cash held directly in the bond cash account
- › Authorised UK unit trusts
- › Open-ended investment companies (OEICs)
- › Non-UK unit trusts and OEICs (including SICAVs*)
- › Approved UK investment trusts
- › Internal linked funds
- › Exchange traded funds** (ETFs).

* A SICAV is an open-ended collective investment scheme that is similar to an OEIC, but based in Luxembourg rather than the UK.

** The HMRC personal portfolio bond rules do not specifically refer to ETFs, so it is necessary to look at the type of investment vehicle being used to offer the ETF. If an interest in the investment vehicle used is a permitted property, then the ETF would be an acceptable asset.

The above are all acceptable, with the following limitations:

- › The assets should be liquid in the short term. This means that you must be able to liquidate your holdings in an asset within a maximum of six months of the liquidation request
- › Securities must be transferrable at any time, with no time restrictions, and
- › An investor in an asset cannot be asked for more than their initial investment.

UNACCEPTABLE ASSETS

The following assets are not acceptable within WMP, WPA and PCP. It is not an exhaustive list and if there is any doubt over an asset's acceptability, we will make the final decision. We must agree before we get a dealing instruction to buy it.

- › Unapproved UK unit trusts or OEICs
- › Unapproved UK investment trusts
- › Closed-ended non-UK funds
- › US mutual funds
- › Direct holdings in shares - other than in approved UK investment trusts
- › Exchange traded certificates ('ETCs')
- › Trail/rebate paying funds
- › Direct holdings in bonds - government or corporate
- › Property Authorised Investment Funds ('PAIFs'), though the feeder fund versions of these funds are acceptable
- › Medium-term notes
- › Derivatives, for example call options, put options, warrants, futures, forwards
- › Preference shares
- › Internal life funds of an insurance company other than Utmost PanEurope dac
- › Life assurance products of another insurance company
- › Real property, such as commodities or direct property investment - either residential or commercial
- › Cash or money market instruments denominated in a currency other than the bond currency (other than short-term cash account holdings for non-speculative trading purposes)
- › Interests in limited partnerships, UK limited liability partnerships and private funds
- › Life settlement funds (traded life funds) or funds whose value is wholly or mainly linked to the value of life assurance policies
- › An asset whose availability prevents it from being purchased by all policyholders or a class/subset of policyholders chosen by us.

ASSESSING ACCEPTABILITY OF ASSETS

If we have to make a decision on a particular asset, we will consider:

- › Where the asset is from - we prefer funds from the EU
- › How the asset is traded - we only allow FundSettle eligible assets
- › The liquidity of the asset and whether there are any redemption restrictions in place, for example assets that have an in-specie redemption clause, assets that pay redemptions in tranches
- › If we can place a realistic value on the assets if the asset was to be liquidated earlier than expected
- › The reputation of the parties involved, and whether the fund could potentially harm our reputation, and
- › Whether owning the asset could potentially place conditions on us, for example voting rights or legal obligations.

For assets such as hedge funds, alternative investment funds or Isle of Man experienced investor funds, we will apply the above criteria. We will also ask you to sign a suitably worded disclaimer saying that you understand the risks and you understand you are investing at your own risk.

WMP WITH UCITS RESTRICTION - SPANISH TAX TREATMENT

From January 2011 if you invested in WMP, you have been able to set up your bond with further restrictions on what you can invest in. These restrictions are designed to make the bond more tax-efficient if you intend to move to Spain. To qualify for better tax treatment if you intend to move to Spain, you must apply the UCITS restriction when you first take the bond out. If your bond has UCITS restrictions, you can only hold assets in:

- › UCITS funds
- › European Economic Area bank deposits, and
- › Bond cash account.

INVESTMENT DECISIONS

We do not undertake due diligence at any stage. It is your responsibility or the investment adviser or discretionary investment manager - if one has been appointed - to check any specific fund requirements or restrictions and to ensure that the assets selected comply with the criteria and suit your investment needs.

If you would like more information, please speak to your financial adviser or contact us on 0845 6029281.

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