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STATUTORY INSTRUMENTS

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**2006 No. 3269**

**The Finance Act 2002, Schedule 26,  
(Parts 2 and 9) (Amendment) Order 2006**

*Amendment of Part 2 of Schedule 26*

**Amendment of paragraph 12 of Schedule 26**

9.—(1) Amend paragraph 12(1) (definition of terms relating to derivative contracts) as follows.

(2) For sub-paragraph (1) substitute—

“(1) This paragraph defines the following expressions for the purposes of this Schedule—

- a capital redemption policy (see sub-paragraph (2));
- a contract for differences (see sub-paragraphs (3) to (5));
- a depositary receipt (in relation to shares) (see sub-paragraph (17));
- designated (see sub-paragraph (13));
- a future (see sub-paragraphs (6), (7) and (10));
- a hedging relationship between a relevant contract and an asset or liability, in the case of any company (see sub-paragraph (14));
- intangible fixed assets (see sub-paragraph (11));
- Integrated Prudential Sourcebook (see sub-paragraph (15));
- loan-contract embedded derivative (see sub-paragraph (11A));
- loan-contract host contract (see sub-paragraph (11B));
- long-term insurance fund (see sub-paragraph (16));
- an option (see sub-paragraphs (8) and (10));
- original asset (see sub-paragraph (11C));
- original creditor relationship (see sub-paragraph (11D));
- shares in a company (see sub-paragraph (12));
- a warrant (see sub-paragraph (9)).”

(3) After sub-paragraph (11) insert—

“(11A) ”Loan-contract embedded derivative” means a contract to which a company is treated as party by virtue of section 94A(2)(b) of the Finance Act 1996.

(11B) ”Loan-contract host contract” means a loan relationship to which a company is treated as party by virtue of section 94A(2)(a) of the Finance Act 1996.

(11C) ”Original asset” means an asset representing an original creditor relationship.

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(1) Paragraph 12 was amended by article 13 of [S.I. 2004/2201](#), article 9 of [S.I. 2005/646](#), article 8 of [S.I. 2005/2082](#) and article 6 of [S.I. 2005/3440](#).

- (11D) "Original creditor relationship" means a loan relationship to which—
  - (a) a company is creditor, and
  - (b) section 94A of the Finance Act 1996 applies."
- (4) In sub-paragraph (13) before "has the same meaning" insert ", except in paragraph 45G,".
- (5) In sub-paragraph (14) for paragraph (b) substitute—
  - "(b) in any other case—
    - (i) the hedging instrument is intended to act as a hedge of the exposure to changes in fair value of the hedged item that is attributable to a particular risk and could affect the profit or loss of the company, and
    - (ii) the hedged item is an asset or liability recognised for accountancy purposes or is an identified portion of such an asset or liability."
- (6) In sub-paragraph (16) for "and "contract of long-term insurance" have" substitute "has".