



For adviser use only – not approved for use with clients

Offshore bonds

Acceptable assets

A guide to the assets your client 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 your client can hold, so we've set out some information below that will help you and your client know what we'll accept. These rules apply to all clients except those who have applied for a WMP with Undertakings for Collective Investment in Transferable Securities (UCITS) restriction, when special rules apply – we'll 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 Aegon.

To avoid doubt, the only categories of assets that your client 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're 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's similar to an OEIC, but based in Luxembourg rather than the UK.

**The HMRC personal portfolio bond rules don't specifically refer to ETFs, so it's 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 the client must be able to liquidate their 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;
- there should be genuine confidence that the value assigned to an asset can be realised; and
- an investor in an asset can't be asked for more than their initial investment.

Unacceptable assets

The following assets aren't acceptable within WMP, WPA and PCP. It isn't an exhaustive list and if there's any doubt over an asset's acceptability, we'll 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.
- Trail/rebate paying funds.
- Direct holdings in bonds – government or corporate.
- Medium-term notes.
- Derivatives, for example call options, put options, warrants, futures.
- Preference shares.
- Internal life funds of an insurance company other than Aegon.
- 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 bondholders or a class/subset of bondholders chosen by us.

Assessing acceptability of assets

If we have to make a decision on a particular asset, we'll 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'll apply the above criteria. We'll also ask the client to sign a suitably worded disclaimer saying that they understand the risks and they understand they're investing at their own risk.

WMP with UCITS restriction – Spanish tax treatment

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

- UCITS funds;
- European Economic Area bank deposits; and
- bond cash account.

Investment decisions

We don't undertake due diligence at any stage, it's always the responsibility of the client, investment adviser or discretionary investment manager to make sure that the assets they select comply with the above criteria and are suitable for the investment needs of the client.

If you'd like more information, please contact us.



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