

# Permitted investments

**Sanlam Life & Pensions UK Limited (the ‘company’) offers a range of linked long-term insurance contracts. The linked assets held in respect of those contracts must be permitted links as defined in COBS 21 of the regulator’s conduct of business sourcebook (the ‘rules’).**

This document is intended as a guide only for financial advisers and investment managers. The company reserves the right to reject any proposed investment as an asset of its linked funds and to amend the list of permitted investments at any time. **Any proposed investment is subject to the company’s prior approval.**

It is the responsibility of the appointed investment manager of each linked fund to ensure compliance with the rules.

A requirement of the rules is that there is overall liquidity within any linked fund. This means that the assets held within a linked fund must be capable of being realised within a time frame that enables the company to meet its obligation to pay benefits under the policy as they become due. The appointed investment manager must be able to demonstrate at any given time that there is sufficient liquidity within the fund to meet this requirement. This would be met if the majority of assets held are listed securities and/or shares/units in authorised collective investment schemes that are traded regularly on regulated stock exchanges. All other assets must be redeemable for cash within a maximum period of 30 days, or be capable of being transferred to another person for value within that time frame. Directly held commercial property is excluded from this requirement.

This document covers the investments that may be held in a Sanlam OneSIPP or Transfer Pension Portfolio.

# Section 1: Permitted investments

## 1.1 UK-listed securities and approved securities

<b>Asset</b>	<b>Exclusions/qualifications</b>
Securities listed on the London Stock Exchange (including AIM)	Except UK investment trusts and closed-ended investment companies (see below and 1.6).
UK investment trusts (including split capital investment trusts and REITs) and other closed-ended investment companies	Must be listed on the London Stock Exchange (including AIM).
Gilt-edged securities (gilts)	Must be issued or backed by the UK government. Gilt strips are also acceptable.
Corporate bonds, debentures and convertibles listed on the London Stock Exchange (including AIM)	A sub-investment grade bond is only permitted where it is actively traded and information relating to the trading activity is readily available via a reliable source. The converted form of a convertible bond must also be a permitted link and is subject to approval at the time of conversion.

## 1.2 Overseas listed securities and approved securities

<b>Asset</b>	<b>Exclusions/qualifications</b>
Overseas securities	The company whose shares are being purchased must be listed, except for overseas investment trusts and closed-ended investment companies (see below and 1.6).
Overseas investment trusts (including split capital investment trusts and REITs) and other closed-ended investment companies	The company whose shares are being purchased must be listed.
Government bonds	Permitted, provided that the security is issued or backed by the government of a Zone A country (includes members of the OECD).
Corporate bonds, debentures and convertibles listed on overseas stock exchanges	A sub-investment grade bond is only permitted where it is actively traded and information relating to the trading activity is readily available through a reliable source. The converted form of a convertible bond must also be a permitted link and is subject to approval at the time of conversion.

### 1.3 Deposits with an approved credit institution or approved investment firm

Asset	Exclusions/qualifications
UK and overseas deposits	Term or notice period should not exceed 30 days. Deposit must be with a mainland UK or EEA authorised deposit taker and must not be used for transactional purposes.

### 1.4 Shares or units in UK open-ended collective investment schemes

Asset	Exclusions/qualifications
Authorised unit trusts	Must be an authorised unit trust or be certified as an undertakings for collective investment in transferable securities (UCITS) scheme or a non-UCITS retail scheme (NURS).
Authorised open-ended investment companies (OEICs)	Must be an authorised OEIC incorporated under the OEIC regulations, or be certified as a UCITS scheme or a NURS.
Other collective investment schemes, including unauthorised unit trusts/OEICs and property funds (see 1.7)	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.
UK qualified investor schemes (QISs)	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.
Authorised exchange-traded funds (ETFs)	Must be a UCITS-certified scheme or a NURS.
Unauthorised ETFs	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.

## 1.5 Shares or units in overseas open-ended collective investment schemes

<b>Asset</b>	<b>Exclusions/qualifications</b>
Authorised EEA collective investment schemes (including SICAVs and OEICs)	Must be a UCITS-certified scheme or a NURS.
Non-EEA collective investment schemes	Must be recognised by the regulator under section 270 or 272 of the Financial Services and Markets Act 2000 and, at the time of investment, be capable of being marketed to the public in the UK.
Other collective investment schemes (including property funds – see 1.7)	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.
Authorised ETFs	Must be a UCITS-certified scheme or a NURS.
Unauthorised ETFs	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.
EEA equivalent to a QIS, such as a specialised investment fund (SIF)	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.

## 1.6 Shares in UK and overseas closed-ended collective investment schemes

<b>Asset</b>	<b>Exclusions/qualifications</b>
Investment trusts (including split capital investment trusts and REITs) and other closed-ended investment companies whose shares are not listed	The fund manager should contact us for approval prior to making the investment decision. Must be regularly priced. Underlying assets will be subject to the look-through test. Aggregate value of such holdings must not exceed 15% of the linked benefits. The fund will be subject to the borrowing limit set out in the definitions.

## 1.7 Land, or any interest in land

Asset	Exclusions/qualifications
Directly held UK commercial property	<p>Land for development is excluded. Directly held property cannot be held within the Versatile Investment Portfolio (VIP) due to the restrictions imposed by the Personal Portfolio Bond (PPB) regulations. Borrowing used to purchase property within a self-invested pension is exempt from the borrowing limit set out in the definitions.</p> <p>Allowable property includes commercial property in England, Scotland and Wales, such as hotels, shops, offices, warehouses, industrial units and factories, and arable agricultural land.</p>

## 1.8 Structured products

Asset	Exclusions/qualifications
UK and overseas structured products	<p>The fund manager should contact us for approval prior to making the investment decision.</p> <p>These types of investments are subject to the following requirements:</p> <ul style="list-style-type: none"><li>• the shares or notes must be regularly priced;</li><li>• they must be linked to an approved index and satisfy the conditions of a permitted derivative contract (see 1.9); and</li><li>• they are only permitted where the fund manager is appropriately authorised and has advised us in writing that such products are to be used only for efficient management of the insured portfolio or reduction of investment risk in line with the client's risk profile and investment objectives.</li></ul> <p>Please note that we would not normally expect to enquire about the use of a structured product where it meets the requirements above and:</p> <ul style="list-style-type: none"><li>• the aggregate value of all structured products held as assets of the insured fund does not exceed 20% of the linked benefits;</li><li>• the individual structured product is not designed to achieve a return from issue to maturity in excess of 200% of the return on the related index; and</li><li>• the individual structured product does not, over the same period, expose the investor to any more downside risk than had the same amount of capital been invested in the underlying Index itself.</li></ul>

## 1.9 Derivative contracts

Asset	Exclusions/qualifications
Permitted derivative contracts	<p>The fund manager should contact us for approval prior to making the investment decision that the derivative (or quasi-derivative) complies with the requirements laid out in INSPRU 3.2:</p> <p>A derivative or quasi-derivative is approved if:</p> <ol style="list-style-type: none"><li>1. it is held for the purpose of efficient portfolio management or reduction of investment risk;</li><li>2. it is covered; and</li><li>3. it is effected or issued:<ol style="list-style-type: none"><li>a) on or under the rules of a regulated market; or</li><li>b) off-market with an approved counterparty and, except for a forward transaction, on approved terms and is capable of valuation.</li></ol></li></ol>

## 1.10 Hedge funds, commodities and endowments held indirectly via a pooled investment vehicle

Asset	Exclusions/qualifications
Investment trusts and closed-ended investments companies invested in non-permitted assets such as hedge funds, commodities and traded endowment plans	The company whose shares are being purchased must be listed. The underlying assets of these companies may not be invested in directly.

# Section 2: Specifically excluded investments

### Whether held directly or via a scheme or asset that is subject to the look-through test:

- commodities;
- contracts for differences;
- hedge funds;
- insurance company with profits funds;
- limited partnerships;
- traded endowment policies;
- swaps;
- trustee investment plans;
- warrants;
- residential property; and
- shares in a listed company that has any interest in an overseas cannabis production firm.

## Section 3: Definitions

### Approved credit institution

A credit institution recognised or permitted under the law of an EEA state to carry on any of the activities set out in Annex 1 to the Banking Consolidation Directive.

### Approved index

In relation to permitted links:

- a. An index that is:
  - i) calculated independently;
  - ii) published at least once every week;
  - iii) based on constituents that are permitted links; and
  - iv) calculated on a basis that is made available to the public, and that excludes both the rules for including and excluding constituents and the rules for valuation which must use an arithmetic average of the value of the constituents.
- b. A national index of retail prices published by or under the authority of a government of a state belonging to Zone A as defined in the Banking Consolidation Directive.
- c. An index that is:
  - i) based on constituents that are permitted links; and
  - ii) in respect of which a derivative contract is listed.

### Approved investment firm

An investment firm as defined in the Markets in Financial Instruments Directive (MiFID).

### Borrowing limit

The overall restriction placed on the total borrowing within a linked fund. The maximum level of borrowing is currently 10% of a linked fund's assets and includes any borrowing made by schemes held within a linked fund that are subject to the look-through test. Borrowing used to purchase directly held commercial property is excluded from this requirement.

### Collective investment scheme

A collective investment scheme, as defined in section 235 of the Act (Collective Investment Schemes), which is in summary:

- a. any arrangements with respect to property of any description, including money, the purpose or effect of which is to enable persons taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income; and
- b. which is not a body corporate other than an OEIC.

### Derivative

A future or an option (see also securitised derivative).

### Listed

In relation to securities:

- a. any security that is admitted to an official list; or
- b. any security that is listed on a regulated market.

### Look-through test

The test applied by the company to determine whether or not the underlying investments held or utilised by the scheme or asset would be regarded as permitted investments if they were held directly by the company within its linked funds.

### Official list

- a. the list maintained by the regulator in accordance with section 74(1) of the Financial Services and Markets Act 2000 (the official list) for the purposes of Part VI of the Act; and
- b. any corresponding list maintained by a competent authority for listing in another EEA state.



**Properly functioning market**

A market indicated by the following criteria:

- i) a lack of artificial barriers, including barriers to foreign ownership and repatriation of capital;
- ii) fair and accurate valuation;
- iii) suitably qualified and independent surveyors;
- iv) accurate financial information;
- v) enforceable contractual and other property rights;
- vi) clarity of taxation;
- vii) availability of reliable economic and property market data; and
- viii) ethical transaction standards.

**Regularly priced**

The linked assets used to determine the benefits payable must be capable of being accurately and fairly valued on an ongoing basis. In practice, this means the assets should be priced at least once every month.

**Regulated market**

Means any of the exchanges listed in the appendix.

**Securitised derivative**

An option which, in either case, is listed under LR 1913 of the listing rules (including such an option which is also a debenture).

**Sub-investment grade**

Bonds rated at less than BBB- by Standard & Poor's.

**UCITS**

Undertakings for collective investments in transferable securities.

**Zone A country**

- a. any EEA state; and
- b. those countries which have concluded special lending arrangements with the International Monetary Fund (IMF) associated with the fund's general arrangements to borrow (GAB), save that any country falling with (a), (b) or (c) which reschedules its external sovereign debt is precluded from Zone A for a period of five years.

## Appendix: regulated markets

<b>Argentina</b>	Bolsa de Comercio de Buenos Aires
<b>Australia</b>	Australian Securities Exchange
<b>Austria</b>	Amtlicher Handel, Wiener Borse
<b>Belgium</b>	Euronext Brussels
<b>Bermuda</b>	Bermuda Stock Exchange
<b>Brazil</b>	Bolsa de Valores do Sao Paula
<b>Canada</b>	Bourse de Montreal Inc, Toronto Stock Exchange
<b>Channel Islands</b>	Channel Islands Stock Exchange
<b>Chile</b>	Bolsa de Valores de Santiago
<b>China</b>	Shanghai Stock Exchange, Shenzhen Stock Exchange
<b>Colombia</b>	Bolsa de Valores de Colombia
<b>Cyprus</b>	Cyprus Stock Exchange
<b>Denmark</b>	Københavns Fondsbørs
<b>Egypt</b>	Cairo and Alexandria Stock Exchanges
<b>Finland</b>	Arvopaperipörssi
<b>France</b>	Euronext Paris
<b>Germany</b>	Deutsche Borse AG and Various Exchanges in Berlin, Bremer, Düsseldorf, Frankfurt, Hannover
<b>Greece</b>	Athens Stock Exchange
<b>Hong Kong</b>	Hong Kong Exchanges and Clearing
<b>Hungary</b>	Budapest Stock Exchange
<b>Iceland</b>	Iceland Stock Exchange
<b>India</b>	Bombay Stock Exchange, National Stock Exchange of India
<b>Indonesia</b>	Jakarta Stock Exchange
<b>Ireland</b>	Irish Stock Exchange
<b>Israel</b>	Tel-Aviv Stock Exchange
<b>Italy</b>	Italian Stock Exchange Borsa Italiana SpA
<b>Japan</b>	Tokyo Stock Exchange
<b>Korea</b>	Korea Stock Exchange
<b>Luxembourg</b>	Bourse de Luxembourg
<b>Malaysia</b>	Bursa Malaysia
<b>Malta</b>	Malta Stock Exchange
<b>Mauritius</b>	Stock Exchange of Mauritius
<b>Mexico</b>	Bolsa Mexicana de Valores

<b>Netherlands</b>	Euronext Amsterdam
<b>New Zealand</b>	New Zealand Stock Exchange
<b>Nordic/Baltic States</b>	OMX Exchanges
<b>Norway</b>	Oslo Bors
<b>Peru</b>	Bolsa de Valores de Lima
<b>Philippines</b>	Philippine Stock Exchange
<b>Poland</b>	Warsaw Stock Exchange
<b>Portugal</b>	Euronext Lisbon
<b>Singapore</b>	Singapore Exchange
<b>Slovenia</b>	Ljubljana Stock Exchange
<b>Spain</b>	BME Spanish Exchanges, Bolsas de Valores
<b>South Africa</b>	Johannesburg Stock Exchange
<b>Sweden</b>	OM Stockhomsbörsen
<b>Switzerland</b>	SWX Swiss Exchange
<b>Taiwan</b>	Taiwan Stock Exchange
<b>Thailand</b>	Stock Exchange of Thailand
<b>Turkey</b>	Istanbul Stock Exchange
<b>UK</b>	London Stock Exchange, Alternative Investment Market (AIM), but not the Plus Markets Group (formerly OFEX)
<b>USA</b>	American Stock Exchange, Chicago Stock Exchange, International Securities Exchange, NASDAQ, New York Stock Exchange and Philadelphia Stock Exchange

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