

MARKET BULLETIN

REF: Y4833

Title	Membership & Underwriting Conditions and Requirements (Funds at Lloyd's) (M&URs)
Purpose	To issue the full text of the M&URs
Type	Scheduled
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Related links	N/A

Summary

The full text of the Membership & Underwriting Conditions and Requirements (Funds at Lloyd's) (M&URs) are attached together with an overview of the amendments made to the M&URs since the last release on 10th October 2007 (MB Y4067).

The Release Test Rules and the Partial Release Guidelines have been updated so that they are compatible with the revised M&URs – there are no substantive changes to the current rules in force.

Background

A consultation document on the proposed changes was issued to interested parties (including the LMA, members' agents and the ALM) earlier in the year, and amendments were made following that consultation. The final version of the M&URs (as attached) were provided to the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), both of which have confirmed that they do not have any objections to the revised M&URs.

Overview of Main Changes

Total Funding Requirement

The M&URs now operate by reference to a member's 'Total Funding Requirement', the calculation of which is as set out in paragraph 4 of the M&URs. In summary, this simply reflects current policy that members' assets need to cover their Economic Capital Assessment and any aggregate shortfall at syndicate level. The M&URs stipulate conditions with which a member must comply in order to underwrite at Lloyd's, namely the requirement to provide funds at Lloyd's in the appropriate amount and in an acceptable form, both of which are determined by the provisions in the M&URs.

Solvency II

The M&URs reflect that capital setting at Lloyd's is set using Solvency II calibrated models, together with the supporting Solvency II balance sheet (QMC002), to meet minimum ICAS requirements and to set member capital requirements.

UK Tax Residency

At paragraph 15(3) the M&URs address the requirement that all active members be UK tax resident from 1 January 2015. Market bulletin Y4728 issued on 10th October 2013 together with market bulletins Y4813 and Y4819 set out the UK Tax Residency requirements.

Inter-availability

A new requirement has been introduced at paragraph 16 which imposes a limit on the time for which an inter-available deposit can be used to support the underwriting for a successor member. In summary, at the later of December 2015 or 24 months after closure of the member's last open year of account, the inter-available FAL will no longer count towards the successor member's FAL requirement meaning that the successor member will need to be separately capitalised.

In the case of individual members with a Special Reserve Fund, the release of the inter-availability arrangement at the end of the 24 month period together with release of all other member's deposits crystallise the member's final year of assessment for the purposes of taxation of the Special Reserve Fund.

Tax Retentions

Paragraph 4(D) makes provision for FAL retentions where a member is no longer actively underwriting and all of its underwriting years of account have closed. Except where Lloyd's Head of Tax determines otherwise, if the member has settled all other debts to Lloyd's, the member's Total Funding Requirement will be set at an amount equal to 3% of the average of the member's final three years of overall premium limit, subject a minimum of £5,000. Circumstances where Lloyd's Head of Tax might determine otherwise include cases where a member's tax liabilities might exceed that limit, for example because they are not entitled

to UK-US tax Treaty benefits or some other facts peculiar to their circumstances lead to a belief that 3% would not be sufficient. The balance of any funds will only be released when all of the member's centrally funded tax liabilities in connection with the members underwriting affairs have been settled.

Releases for Direct Corporate Participants will be agreed on a case by case basis having regard (for example) to the extent of US business written. In most cases an estimate of all tax liabilities will be required.

This bulletin shall constitute notification to such members (other than Direct Corporate Participants) of their Total Funding Requirement for the purposes of paragraph 4(D) of the M&URs.

Changes to the admissible assets criteria (Appendix 3)

- Para 1(a): the restrictions in para 2(a) regarding the holding of shares in a company in a group including a corporate member or managing agent (or in a corporate member or a managing agent directly) have been applied to debt securities, bonds and other capital market instruments issued by such company (or corporate member or managing agent). The restriction applies where the turnover of the managing agent or corporate member is greater than 5% of the whole group – which is now reflected in the definition of “ineligible group”.
- Para 3: holdings in collective investment schemes (including unit trusts) will no longer be acceptable for FAL unless submitted to Lloyd's for processing at least 30 days before the next coming into line date. This change has been made to allow sufficient time for the asset to be re-registered into the name of Lloyd's. There are no changes to their eligibility or to the acceptability of unit trusts as substitute assets. Lloyd's will consider favourably requests for exemptions to this timetable in November 2014's CIL exercise subject to appropriate conditions on a case by case basis.
- Para 7(c): this amendment will mean that new life assurance policies will no longer be acceptable as a FAL asset.

Other than the above, the admissible assets criteria are unchanged. The asset concentration rules applied to FAL for capital setting purposes and the criteria to be applied in the approval of credit institutions also remain unchanged.

Implementation

The M&URs have been approved on behalf of the Council and came into force on 22nd October 2014.

Any queries relating to this bulletin should be addressed to Kevin Nethersell ext. 6253 (kevin.nethersell@lloyds.com)

MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS

(FUNDS AT LLOYD'S)

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(FUNDS AT LLOYD'S)**

ARRANGEMENT OF PARAGRAPHS

PART A - PRELIMINARY

1. Interpretation and Definitions

PART B – OVERALL PREMIUM LIMITS

2. Overall premium limits

PART C - FUNDS AT LLOYD'S

3. Provision and maintenance of funds at Lloyd's
4. Total Funding Requirement
5. Maintenance of funds at Lloyd's
6. Reduction in value of funds at Lloyd's
7. Funds at Lloyd's - acceptable assets
8. Funds at Lloyd's - calculation and valuation
9. Valuation of Covenant and Charge
10. Restriction on mortgage – corporate member

PART D - ADDITIONAL UNDERWRITING REQUIREMENTS

11. Solvency shortfall
12. Requests for funds
13. Power of Attorney
14. Franchise Board
15. Residency for tax purposes
16. Interavailability arrangements

PART E - SUPPLEMENTAL AND COMMENCEMENT

17. Exemptions and variations
18. Confirmation Form
19. Accredited Investors
20. Prescribed Forms
21. Revocation
22. Commencement

APPENDICES

1. Interpretation and Definitions
2. Total Funding Requirement for a commencing member
3. Funds at Lloyd's – acceptable assets
4. Members' Agent's Confirmation Form
5. Part 1 - Corporate Member's Confirmation Form (no members' agent)
Part 2 – Corporate Member's Compliance Declaration (no members' agent)

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(FUNDS AT LLOYD'S)**

These conditions and requirements are made under paragraphs 6, 7, 16, and 40 of the Membership Byelaw (No. 5 of 2005) and all other powers enabling.

PART A - PRELIMINARY

1. Interpretation and Definitions

The provisions of Appendix 1 (Interpretation and Definitions) shall have effect.

PART B – OVERALL PREMIUM LIMITS

2. Overall premium limits

Every member who wishes to commence or to continue underwriting for a year of account shall determine, in respect of either or both general business and long term business to be written by him, an OPL for that year of account.

PART C - FUNDS AT LLOYD'S

3. Provision and maintenance of funds at Lloyd's

- (1) Subject to sub-paragraphs 2 and 3, every member shall as at the next coming into line date or mid-year coming into line date maintain funds at Lloyd's in an amount not less than his Total Funding Requirement, as calculated in accordance with clause 4 below ("funds at Lloyd's requirement").
- (2) Any member who has a Total Funding Requirement for both general business and long term business must maintain separate funds at Lloyd's each in the appropriate amount as determined by the respective Total Funding Requirement.
- (3) For the avoidance of doubt, a member in respect of which a managing agent is a connected company and which participates only on one syndicate managed by that managing agent may, in lieu of all or part of its funds at Lloyd's requirement, hold all or part of its capital in the managing agent's sub-fund. The amount of such capital shall, when aggregated with the member's funds at Lloyd's (if any), be of an amount not less than the member's Total Funding Requirement.

4. Total Funding Requirement

- (1) For the purposes of paragraph 3, the Total Funding Requirement of a member shall be determined for both general business and long term business (as applicable) as follows:

	Status of member	TFR
(a)	if the member is actively underwriting in the current underwriting year, and provided the member's OPL for the current underwriting year is not less than 50 per cent of the member's OPL for the immediately preceding underwriting year -	(A)

(b)	if the member is actively underwriting in the current underwriting year but his OPL for the current underwriting year is less than 50 per cent of his OPL for the immediately preceding underwriting year -	(B)
(c)	subject to (d) and (e) below, if the member has open years of account but is not actively underwriting in the current underwriting year -	(B)
(d)	if the member is not actively underwriting in the current underwriting year but is part of a group which includes other corporate members, one or more of whom is actively underwriting in the current underwriting year (each an “active member”), where: (i) the OPL of the active member or, where more than one active member, the aggregate OPL of those members, for the current underwriting year is not less than 50% of their OPL or aggregate OPL (as the case may be) for the immediately preceding underwriting year; and ii) the member is subject to the obligations contained in clause 15 (connected companies) of the Membership Agreement –	(A)
(e)	if the member is no longer actively underwriting but has open years of account and has made his funds at Lloyd’s interavailable and the successor member concerned is actively underwriting in the current underwriting year -	(A)
	unless the successor member’s OPL for the current underwriting year is less than 50 per cent of its OPL for the immediately preceding underwriting year, in which case –	(B)
(f)	if the member is a commencing member -	(C)
(g)	If the member is no longer actively underwriting and all of its underwriting years of account have closed –	(D)

(2) For the purposes of sub-paragraph (1) above, (A), (B), (C) and (D) shall be determined as follows:

(A) is the aggregate of:

- (1) the member’s adjusted QMC result; and
- (2) liabilities in respect of any request for funds made by the managing agent; and
- (3) whichever of (a), (b) and (c) below is the greater:
 - (a) the member’s *capital resources requirement*; or
 - (b) the member’s economic capital assessment requirement; or
 - (c) the minimum FAL requirement.

(B) is the aggregate of:

- (1) the member's adjusted QMC result; and
- (2) liabilities in respect of any request for funds made by the managing agent; and
- (3) whichever of (a) and (b) below is the greater:
 - (a)
 - (i) the amount of member's *capital resources requirement* for general business multiplied by a factor of 2.2 (or such other factor as the Council may specify); or
 - (ii) the amount of the member's *capital resources requirement* for long term business multiplied by a factor of 1.1 (or such other factor as the Council may specify); or
 - (b) the member's economic capital assessment requirement multiplied by a factor of 1.1.

(C) is the amount determined by the provisions of Appendix 2.

(D) is an amount which makes provision for any outstanding tax liabilities of the member in respect of its underwriting business at Lloyd's (as adjusted from time to time). This amount shall be as determined by the Tax Department at Lloyd's, and notified to the member (or his members' agent); until such time as such notification is given, the member's Total Funding Requirement shall continue to be that as determined for the year of account prior to the closure of the Member's last underwriting year of account.

5. Maintenance of funds at Lloyd's

- (1) Subject to sub-paragraph (6) below, no member shall underwrite general business or long term business unless he has executed one or more Lloyd's deposit trust deed and/or Lloyd's security and trust deeds in the respective form for the time being prescribed and pursuant to which a Lloyd's deposit or Lloyd's life deposit is held in accordance with these conditions and requirements.
- (2) Subject to sub-paragraphs (3) and (4), a member's Lloyd's deposit and Lloyd's life deposit (if any) shall comprise –
 - (a) any sums and investments held under the terms of a Lloyd's deposit trust deed in the prescribed form;
 - (b) any guarantee or letter of credit, in each case in the prescribed form, provided to the Society and held under the terms of the Lloyd's security and trust deed in the prescribed form; or
 - (c) partly such sums and investments and partly such guarantees and letters of credit.

- (3) For the purposes of sub-paragraph (1), and with the prior consent of an authorised person, a Lloyd's deposit or Lloyd's life deposit may constitute sums and investments provided by a third party and held under the terms of a Lloyd's Deposit Trust Deed (Third Party Deposit) in the appropriate prescribed form.
- (4) With the prior written consent of an authorised person, a corporate member may, wholly or partly in lieu of the forms of Lloyd's deposit referred to in sub-paragraph (2), provide a Lloyd's deposit (but not a Lloyd's life deposit) in the form of an approved covenant by a third party secured by an approved charge over property of the third party and subject, if so agreed between the third party and an authorised person, to a master agreement in the prescribed form, such approved covenant and approved charge being entered into together with such custody agreements, investment management agreements and other supporting agreements as are applicable and may be requested by an authorised person;
- (5) Where an authorised person gives his consent under sub-paragraph (3), he may require any one or more of the following to be given:
 - (a) a Third Party Funding Arrangements Questionnaire, Declaration and Deed of Undertaking in the prescribed form;
 - (b) a Legal Opinion in the prescribed form;
 - (c) a Confirmation of Financial Position in the prescribed form.
- (6) For the avoidance of doubt, a member may underwrite general business or long term business if he holds funds at Lloyd's in the amount of his Total Funding Requirement for general business or long term business respectively solely in the form of monies and other assets in his personal reserve funds.

6. Reduction in value of funds at Lloyds

- (1) A member shall not by any voluntary act or omission effect or permit any reduction in the value of that member's funds at Lloyd's below the amount of his most recent Total Funding Requirement, save for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held.
- (2) Where at any time during the course of a year the value of a member's funds at Lloyd's has reduced below the amount of the member's Total Funding Requirement by virtue of-
 - (a) a withdrawal for the purposes of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held; or
 - (b) a diminution in value of any assets or monies comprised in the member's funds at Lloyd's by more than 10 per cent of the required value;

the individual member by his member's agent or the corporate member (by its member's agent if it has one) shall notify the Relevant Person and shall, unless otherwise permitted by the Relevant Person, make good the deficiency

within 28 days of the deficiency arising.

7. Funds at Lloyd's – acceptable assets

- (1) A member's funds at Lloyd's shall consist only of assets listed in Part 1 of Appendix 3 ("acceptable assets") and may be included in the valuation of a member's funds at Lloyd's provided the conditions set out in Part 1 of, and the general principles in the introductory paragraphs 1 to 3 (inclusive), of Appendix 3 are complied with.
- (2) In the event that a member's funds at Lloyd's comprise assets which cease to be acceptable assets, and the member (or his members' agent, if applicable) has been advised that this is the case, the member shall procure that such assets are replaced no later than the next coming into line date or such earlier date as may be prescribed by Lloyd's.

8. Funds at Lloyd's - calculation and valuation

- (1) Subject to sub-paragraphs (2) and (3), the assets comprised in a member's funds at Lloyd's shall be taken into account for the purposes of these conditions and requirements at their respective values determined in accordance with GENPRU 1.3 or, in the case of letters of credit, guarantees and life assurance policies, GENPRU 1.5.15R, as at the relevant valuation date.
- (2) In respect of the proportion of the amount of a member's funds at Lloyd's which is equal in amount to 30 per cent of the member's OPL, no credit shall be taken for the value of any SRF held by the member (but for all other purposes of these conditions and requirements a member's SRF (if any) shall be taken into account in determining the value of his funds at Lloyd's).
- (3) In the case of a successor member, the value of any funds at Lloyd's that have been made interavailable by a participant to the successor member under an interavailability arrangement shall be included in the calculation of the value of the successor member's funds at Lloyd's save to the extent that such interavailable funds are earmarked to cover any Total Funding Requirement of the participant (as calculated in accordance with paragraph 4).

9. Valuation of Covenant and Charge

- (1) For the purposes of these conditions and requirements the value at any time of a Lloyd's deposit provided in the form of an approved covenant and an approved charge shall be taken to be whichever is the lesser of -
 - (a) the maximum sum which may at that time be demanded under the approved covenant given in respect of or by the relevant member (after taking account of any sums already paid under that approved covenant); and
 - (b) the value at that time attributable to the relevant member of the acceptable assets which are subject to the fixed charges granted to the Society under the approved charge by way of security for the performance of the approved covenant referred to in (a) above and of any other approved covenants secured by the approved charge.

- (2) The value of the acceptable assets which are subject to the fixed charges granted to the Society under an approved charge ("the mortgaged assets") shall be attributed to the members in respect of which the approved covenants secured by that approved charge are provided ("the relevant members") as follows -
- (a) when the approved covenants are first provided, such value shall be attributed to the relevant members in proportion to the respective nominal values of the approved covenants provided in respect of each of them;
 - (b) any increase or decrease in the value of the mortgaged assets between the time referred to in (a) above and the first adjustment event (as defined in sub-paragraph (3)) shall be attributed to the relevant members in the proportions referred to in (a) above;
 - (c) where a payment is made to the Society under any approved covenant, the amount (if any) by which the value of the mortgaged assets is reduced by reason of that payment (whether as a result of the exercise of the powers of sale of the Society under the relevant approved charge or as a result of a release granted by the Society to enable the relevant payment to be made) shall be deducted from the value of the mortgaged assets attributed to the relevant member in respect of which the relevant approved covenant was provided;
 - (d) where the nominal amount of any approved covenant is altered with the agreement of the Society, the value of the mortgaged assets immediately following the relevant valuation date or other date by reference to which the alteration was agreed shall be attributed, and shall be deemed to have been attributed, to the relevant members in such proportions as shall, before or at the time the alteration takes effect, be agreed by the relevant members and approved by an authorised person;
 - (e) any increase or decrease in the value of the mortgaged assets occurring between one adjustment event and the next shall be attributed to the relevant members in the proportions in which the value of the mortgaged assets was attributed to them immediately after the former such adjustment event.
- (3) For the purposes of this paragraph an "adjustment event" occurs whenever -
- (a) a payment is made to the Society under any approved covenant provided in respect of a relevant member and the value of the mortgaged assets is reduced by reason of that payment; or
 - (b) the nominal amount of any approved covenant is altered with the agreement of the Society (but so that for this purpose the adjustment event shall be deemed to occur on the relevant valuation date or other date by reference to which the alteration is agreed).
- (4) In relation to a relevant member, the reference in the definition of "relevant valuation date" to the provision of further assets and monies shall be treated as a reference to the procuring of an increase in the value of the mortgaged

assets attributable to that relevant member or in the nominal value of the approved covenant provided in respect of that relevant member, or in both, to the extent that such increase reverses any diminution in the value of the funds at Lloyd's provided in respect of that relevant member.

- (5) In the case of an approved covenant and an approved charge where the provider of the covenant is a third party located outside of the United Kingdom, the percentage of a member's funds at Lloyd's that may be provided by way of approved covenant and approved charge shall be limited to 70%.
- (6) In this paragraph 9 references to the Society shall be deemed to include references to any other person who is for the time being the trustee of any Lloyd's security and trust deed under which the benefit of the approved covenant concerned is held.

10. Restriction on mortgage – corporate member

No corporate member shall, except with the prior written consent of the Council, create or permit to exist over all or part of the monies and assets comprising its funds at Lloyd's or any other fund established by it as security for the payment of its underwriting liabilities (or, in either case, any interest therein) any mortgage, charge, pledge, lien, assignment, encumbrance, right of set-off, title transfer or retention arrangement or agreement, or any security interest whatsoever (other than in favour of the Society or as permitted or required under these conditions and requirements).

PART D – ADDITIONAL UNDERWRITING REQUIREMENTS

11. Solvency shortfall

No member shall underwrite insurance business for the year of account next following the coming into line date if he has failed to extinguish not later than the coming into line date any solvency shortfall shown in the most recent solvency statement issued by the Society in relation to him.

12. Requests for funds

- (1) Subject to sub-paragraphs (2) and (3), no member shall underwrite insurance business for the year of account next following the coming into line date if that member has failed to meet in full by the coming into line date any request for funds made by a managing agent where such request was due to be met by such date.
- (2) In determining for the purposes of sub-paragraph (1) whether a member has failed to meet in full a request for funds no account shall be taken of any interest for which he is liable under clause 7.1(c) of any agreement in the form of the standard managing agent's agreement (general) or the standard managing agent's agreement (corporate member) (as the case may be).
- (3) Sub-paragraph (1) shall not apply if no later than the coming into line date the member has duly authorised the application of such amount of funds at Lloyd's as is sufficient to meet his liabilities in respect of all requests for funds referred to in sub-paragraph (1).

13. Power of Attorney

No member shall underwrite insurance business at Lloyd's unless he has executed a power of attorney in the form for the time being prescribed by the Council relating to the carrying on of insurance business of all classes and matters incidental thereto in jurisdictions outside the United Kingdom.

14. Franchise Board

Nothing in these conditions and requirements shall prevent the Franchise Board or any person or body of persons authorised by the Franchise Board from prescribing other categories of assets at some future date which are acceptable for funds at Lloyd's.

15. Residency for tax purposes

- (1) Subject to sub-paragraph (2), with effect from 1st January 2015 no member shall underwrite insurance business at Lloyd's unless that member is resident in the United Kingdom for tax purposes.
- (2) In the case of a member which is a SLP or a LLP, with effect from 1st January 2015 that member shall not underwrite insurance business at Lloyd's unless all of the partners of the SLP or all of the members of the LLP (as applicable) are resident in the UK for tax purposes.
- (3) Prior to the commencement of a year of account, every member wishing to underwrite for that year of account shall complete a tax declaration in the prescribed form confirming that he (or in the case of a member which is a LLP or SLP, the members or partners thereof) will be resident in the United Kingdom for tax purposes for the tax year in which that year of account commences (and fully expects to be so resident for the next tax year thereafter). Should such a declaration fail to be provided by the coming into line date for that year of account, Lloyd's will take steps to cease the member from underwriting at the end of the preceding year of account.

16. Interavailability arrangements

- (1) In relation to an interavailability arrangement, with effect from the later of:
 - (a) 24 months from the end of the year in which closure of the last year of account of the member takes effect; and
 - (b) 31st December 2015

the funds at Lloyd's of a successor member may not include a Lloyd's deposit or Lloyd's life deposit held on an interavailable basis between the member and the successor member. Any funds at Lloyd's still in place at that time shall be disregarded for the purposes of determining whether the successor member has met his funds at Lloyd's requirement under paragraph 3(1).

PART E - SUPPLEMENTAL AND COMMENCEMENT

17. Exemptions and variations

The Director of Finance, the Head of Market Services or the Head of Market Finance may grant any member or members exemption from such provisions of these conditions and requirements, or vary the application of these conditions and requirements to that member or those members, on such terms and conditions as they see fit.

18. Confirmation Form

- (1) A members' agent (or where the member has more than one members' agent, the co-ordinating agent) shall, in the case of each member for whom it acts as such, lodge with Market Services by such date as may be prescribed in each year a statement in the form set out in Appendix 4 confirming that that member has either complied with these conditions and requirements or has been excused compliance with these conditions and requirements by the Council of Lloyd's.
- (2) A corporate member which has not retained the services of a members' agent for the next following year of account shall lodge with Market Services by such date as may be prescribed in each year a statement in the form set out in Appendix 5 confirming that the corporate member has either complied with all these conditions and requirements or has been excused compliance with these conditions and requirements by the Council of Lloyd's.
- (3) A members' agent, or as the case may be, a co-ordinating agent, or a corporate member which has not retained the services of a members' agent shall, upon being required to do so by a Relevant Person, have the statement referred to in sub-paragraph (1) or (2) (as appropriate), or any calculation made in confirming the member's required funds at Lloyd's, audited by a recognised accountant.

19. Accredited Investors

- (1) Subject to paragraph 15, an individual member who is domiciled or resident in the US shall not underwrite insurance business for any year of account unless he has provided confirmation (in the required format) to his members' agent between 31 March and 30 June in the previous year that he is an accredited investor.
- (2) Subject to paragraph 15, a member: (i) whose shareholders, if a company; (ii) whose limited partners, if a SLP; or (iii) whose members, if a LLP, include individuals who are domiciled or resident in the US shall not underwrite insurance business for any year of account unless confirmation (in the required format) has been provided to the member's members' agent (or Lloyd's, if none) between 31 March and 30 June in the previous year that each such individual is an accredited investor.

20. Prescribed Forms

A form or other document is in the prescribed form if it is in the form as an authorised person may prescribe from time to time or have prescribed for the purposes of these

conditions and requirements and for the purposes of the Membership and Underwriting Requirements (Corporate Member).

21. Revocation

The Membership & Underwriting Conditions and Requirements (Funds at Lloyd's) which came into force on 5 October 2007 are hereby revoked.

22. Commencement

These conditions and requirements shall come into force on 22nd October 2014.

APPENDIX 1

INTERPRETATION AND DEFINITIONS

1. Except where otherwise provided or where the context otherwise requires, the words and expressions used in these conditions and requirements shall have the meanings given to them in the Definitions Byelaw (No. 7 of 2005) or, where shown in italics, the Glossary of the *PRA Handbook*.

2. In these conditions and requirements, except where the context otherwise requires -

acceptable assets means the assets listed in Appendix 3;

accredited investor means -

- (a) an individual who has attested that his net worth, or joint net worth with his spouse, exceeds \$1,000,000; or
- (b) an individual who in each of the two most recent years, has individual income in excess of \$200,000, and has a reasonable expectation that his individual income in the current year will be in excess of \$200,000; or
- (c) an individual who in each of the two most recent years, has joint income with his spouse in excess of \$300,000, and has an expectation that his joint income with his spouse in the current year will be in excess of \$300,000.

adjusted QMC result means the net balance available for a member derived from the Solvency II balance sheet (QMC002) as stated in Section B of the member's most recent Release Test Statement, adjusted for the half year surplus (if any) as stated in Section C of that Statement;

approved *building society* means a *building society* authorised by the *PRA* which has a general reserve (as shown in its most recent audited accounts) of at least £100m, excluding revaluation reserve;

approved charge means a fixed and floating charge in the prescribed form with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 5(4) or (5);

approved covenant	means a deed of covenant in the prescribed form with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 5(4) or (5);
approved currency	means Hong Kong dollars, Malaysian ringgits, Singapore dollars South African rand, the currency of any <i>EEA State</i> , the currency of any <i>OECD</i> member country and any other currency approved by an authorised person;
approved depository	means the Depository Trust Company (DTC), the Canadian Depository for Securities (CDS), CHES, fedwire, Euroclear, Clearstream and any depository system approved by an authorised person for the purpose of acting as a depository through which securities may be traded;
approved life assurance company	means an insurance company which - <ul style="list-style-type: none"> <li style="margin-left: 40px;">(a) (i) has permission given by the <i>PRA</i> under Part IV of the Financial Services and Markets Act 2000 to carry on long term business in the UK; <li style="margin-left: 40px;">(ii) is authorised under the European Communities (Life Assurance) Regulations 1984 (S.I. No. 57 of 1984) of the Republic of Ireland to carry on life assurance business (as defined therein) in the Republic of Ireland; or <li style="margin-left: 40px;">(iii) is authorised under the Insurance Act 1986 of the Isle of Man to carry on long term business (as defined therein) in the Isle of Man; and <li style="margin-left: 40px;">(b) has a financial strength rating for the time being ascribed to it by any one or more of Standard and Poor, Moody's, AM Best or Fitch IBCA of not less than "A";
approved stock exchange	means the principal stock exchange in each <i>EEA State</i> and each <i>OECD</i> member country, the principal stock exchange in each of Hong Kong, Malaysia, Singapore and South Africa and any other stock exchange as may from time to time be added to this list by an authorised

	person;
authorised person	means, in relation to any provision in these requirements and the Membership and Underwriting Requirements (Corporate Member), the Franchise Board or any sub-committee or officer or employee of the Society authorised by the Council or Franchise Board to discharge the duties and functions or to exercise the powers and discretions specified in that provision;
close relative	means a person's spouse, his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters;
coming into line date	means, in relation to a year of account, the date (or such other date as the Council may from time to time prescribe) in the calendar year immediately preceding that year of account by which a member of the Society or a candidate must have provided its funds at Lloyd's if it is to be eligible to underwrite in that year of account;
commencing member	means a member that is due to commence underwriting for the first time, either during the course of the current underwriting year or on 1 st January in the next underwriting year;
connected individuals	means persons each of whom is or is to be – <ul style="list-style-type: none"> (a) a director of the successor member; (b) a director of the holding company of the successor member; (c) in the case of an SLP, a director of the operator of the SLP; (d) a close relative of any person falling within sub-paragraphs (a) to (c) above; (e) in the case of a SLP, in relation to any limited partner each of the other limited partners who is a close relative of that limited partner; (f) in the case of a LLP, in relation to any member of that LLP each of the other members of the LLP who is a close relative of that member of the LLP;
connected person	in relation to an individual participant, means - <ul style="list-style-type: none"> (a) a participant's spouse, his children and step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or

	(b) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (a) above; or
	(c) a body corporate of which the entire issued share capital is wholly-owned by the participant and/or one or more persons falling within (a) or (b) above;
conversion arrangement	has the meaning given in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);
Conversion Official	means the person appointed as such pursuant to the Conversion and Related Arrangements Byelaw (No. 22 of 1996);
co-ordinating agent	means, in relation to a member, the members' agent appointed by the member to co-ordinate the administration of that member's affairs at Lloyd's in circumstances where more than one members' agent is obliged to provide services as a members' agent to that member;
corporate candidate	means a candidate for membership of the Society as a corporate member;
double taxation arrangements	means arrangements that have effect under section 2(1) of the Taxation (International and Other Provisions) Act 2010;
economic capital assessment requirement	means in relation to a member or a participant, the amount required by Lloyd's in accordance with its economic capital assessment model, as from time to time varied or supplemented, of the capital resources required to support the insurance business of the member or of the participant;
employee group	means two or more individual members who are connected with an underwriting agent by reason of their employment;
Ineligible Group	means a group which includes a corporate member or an underwriting agent where the turnover of the corporate member or the underwriting agent is greater than 5 per cent of the turnover of the group as a whole;
interavailability arrangement	means an arrangement whereby –
	(a) a member ceases to underwrite insurance business at Lloyd's; and
	(b) its Lloyd's deposit or its Lloyd's life

deposit is held so as to provide security both for its past underwriting business at Lloyd's and the future underwriting business of a successor member whether by way of variation or modification to the trusts, powers, terms, conditions and other arrangements under which its Lloyd's deposit or its Lloyd's life deposit is held;

Lloyd's obligations

means, in relation to any member, all underwriting obligations incurred by the member as an underwriting member, including obligations to the Society and to the trustees of any trust deed under which any part of the member's funds at Lloyd's are held and obligations arising under:

- (a) any byelaw, regulation, rule, direction or other requirement of the Society; and
- (b) any deed, contract, instrument or other arrangement of any kind approved by the Society;

but does not include obligations arising in respect of any letter of credit, guarantee or other security given to secure the performance of any of the member's underwriting obligations in favour of the person giving such guarantee or other security;

LLP

means a limited liability partnership;

managing agent's sub-fund

in relation to a member, has the meaning given in that member's premiums trust deed;

Market Services

means the department at Lloyd's by that name (or any successor thereto);

Membership Agreement

means the Lloyd's Membership Agreement in the relevant prescribed form executed by a corporate member on its admission to membership of Lloyd's;

Membership and Underwriting Requirements (Corporate Member)

means the conditions and requirements so-called and made under the Membership Byelaw (No.5 of 2005) and for the time being in force;

mid-year coming into line date

means, in relation to the current year of account, 30th June (or such other date as the Council may from time to time prescribe) by which a member's funds at Lloyd's must be in an amount equal to or greater than the member's Total Funding Requirement for the

	current year of account;
minimum FAL requirement	means, as applicable: <ul style="list-style-type: none"> (i) 40% of OPL; or (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct EU motor business, 25% of OPL;
OPL	means overall premium limit;
participant	means a member of Lloyd's (other than the successor member) which takes part in an interavailability arrangement;
private successor member	means a qualifying successor member under a conversion arrangement in which there is only one participant or two or more participants who are connected individuals or an employee group and where the participant or participants (as the case may be) and/or any connected person, either: <ul style="list-style-type: none"> (a) in relation to a qualifying successor member which is a body corporate, hold shares in that body corporate which represent: <ul style="list-style-type: none"> (i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and (ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or (b) in relation to a qualifying successor member which is an SLP, are entitled to: <ul style="list-style-type: none"> (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and (ii) receive not less than 85 per cent.

(or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up of the SLP; or

- (a) in relation to a qualifying successor member which is a LLP, are entitled to:
 - (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the members of the LLP; and
 - (ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the LLP or of the LLP's assets available for distribution on a winding up of the LLP.

qualifying successor member

means a successor member under an interavailability arrangement under which not less than 75 per cent of the successor member's funds at Lloyd's are provided directly or indirectly by one or more of the participants (which for this purpose would include by a corporate LLP member or corporate limited partner of a successor member in which the participant has an ownership interest);

Release Test Statement

means the most recent such statement relating to a member issued by Market Services;

Relevant Person

means for the purposes of paragraphs 6 and 16, the Head of Market Finance or the Head of Market Services;

relevant valuation date

- (i) in the case of a corporate member which wishes to commence underwriting insurance business at Lloyd's on a date prior to 1 January next following its admission to membership of the Society, the date on which that member provides funds at Lloyd's;
- (ii) in relation to the mid-year coming into line date, 31 December in the previous calendar year;
- (iii) in any other case -

(aa) 30 June or such later date as may be prescribed next before the coming into line date; or

(bb) where assets are received after the valuation date referred to in (aa), the date on which they are paid or transferred to the trust fund concerned;

request for funds means a request for funds made by the managing agent of a syndicate under any standard managing agent's agreement (general) or any standard managing agent's agreement (corporate member);

required funds at Lloyd's means, in relation to a member and any given year of account, the funds at Lloyd's that a member is required to provide if that member is to be eligible to underwrite insurance business at Lloyd's;

resident in the United Kingdom for tax purposes means (i) in the case of an individual, as determined in accordance with the provisions of the Finance Act 2013, and (ii) in the case of a company, as determined in accordance with the provisions of the Corporation Tax Act 2009 and any applicable double taxation arrangements;

SLP means a Scottish limited partnership;

solvency statement has the meaning given in Schedule 1 to the Solvency and Reporting Byelaw (No. 5 of 2007);

SRF means special reserve funds;

successor member means, in relation to an interavailability arrangement, a corporate member which will continue to underwrite for the next following year of account and to which the Lloyd's deposit or Lloyd's life deposit of one or more participants is made interavailable;

year of account means an accounting year at Lloyd's.

3. For the purposes of the conditions and requirements, a year of account of a syndicate shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect, and a year of account shall be treated as open until it is closed.

4. In these conditions and requirements:

(1) Words and expressions importing the masculine gender include the feminine

and neuter and words and expressions importing the feminine gender include the masculine and neuter; and

(2) Words in the singular include the plural and vice versa.

5. The headings in these conditions and requirements shall not affect the interpretation of these conditions and requirements.

APPENDIX 2

Total Funding Requirement for a commencing member

The highest of:

- (a) (i) 40% of OPL; or
 - (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct EU motor business, 25% of OPL;
- (b) the member's economic capital assessment requirement as set by the Council;
- (c) (i) in the case of a private successor member, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, whichever is the lowest of -
 - (aa) £100,000 multiplied by the number of participants in the relevant arrangement;
 - (bb) £350,000; or
 - (cc) such amount as the Conversion Official may specify;
- (ii) in any other case, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, £350,000.

APPENDIX 3

FUNDS AT LLOYD'S

General principles for the determination of acceptable assets

1. Assets must be diversified and spread in such a way as to ensure that there is no excessive reliance on any particular category of asset, investment market or investment.
2. Investments in particular types of asset which show high levels of risk, whether because of the nature of the asset or the quality of the issuer, must be restricted to prudent levels.
3. Assets must be readily realisable, capable of objective and verifiable valuation and must not give rise to unacceptable custody risk or onerous holding duties.

Part 1

Categories of assets which are acceptable for funds at Lloyd's

1. Debt securities, bonds and other money and capital market instruments

- (a) *Debt securities*, bonds and other money and capital market instruments (other than those falling within sub-paragraphs (b), (c), (d) and (e)) which -
 - (i) are denominated in an approved currency; and
 - (ii) are of a class quoted or listed on an approved stock exchange or are traded on a *regulated market*;
 - (iii) are neither in, nor have been issued by, a corporate member;
 - (iv) are neither in, nor have been issued by, any company in an Ineligible Group;
 - (v) are neither in, nor have been issued by, an underwriting agent registered to act as such by the Society.
- (b) Loan notes which -
 - (i) are denominated in an approved currency; and
 - (ii) are of a class quoted or listed on an approved stock exchange or are issued by a company incorporated in England, Wales or Scotland, all or some of the securities of which company are quoted or listed on an approved stock exchange; or
 - (iii) are issued or guaranteed by an approved *credit institution*;
- (c) US municipal bonds which -
 - (i) are denominated in an approved currency; and
 - (ii) have a Standard and Poor's rating and a Moody's rating of at least AA in each case, and, if only having one such rating, of AA or better;
- (d) Certificates of deposit which -
 - (i) are denominated in an approved currency; and

- (ii) are issued by an approved *building society* or approved *credit institution*;
- (e) Commercial paper which –
 - (i) is denominated in an approved currency;
 - (ii) has one or more of the following ratings:
 - (aa) Moody’s rating of at least Prime 1;
 - (bb) Standard and Poor’s rating of at least A1;
 - (cc) Fitch IBCA rating of at least F1; and
 - (iii) has a maturity of not more than 30 days.

2. Shares and other variable yield participations

- (a) *Shares* and other variable yield participations which -
 - (i) are of a class quoted or listed on an approved stock exchange or are traded on a *regulated market*;
 - (ii) are denominated in an approved currency;
 - (iii) are held either in an approved depository or by Market Services;
 - (iv) are neither in, nor have been issued by, a corporate member;
 - (v) are neither in, nor have been issued by, any company in an Ineligible Group;
 - (vi) are neither in, nor have been issued by, an underwriting agent registered to act as an underwriting agent by the Society.
- (b) The figures to be used for the purposes of sub-paragraphs (a)(v) and (vii) shall be those shown in -
 - (i) the then latest published audited accounts of the corporate member or underwriting agent, as the case may be; and
 - (ii) the then latest published audited consolidated accounts of the group of which the corporate member or underwriting agent, as the case may be, is a member.

3. Holdings in *collective investment schemes*

- (a) Subject to sub-paragraph (b), holdings in *collective investment schemes* which fall within paragraph (1)(A)(d) of *GENPRU 2 Annex 7*;
- (b) Holdings in collective investment schemes within the scope of sub-paragraph (a) above shall not be accepted into funds at Lloyd’s unless the documentation required to transfer the ownership of the holdings into the name of Lloyd’s (as trustee) has been submitted to Market Services no later

than 30 days before the next occurring coming into line date or mid-year coming into line date. In the event that the holdings have not been transferred by the applicable coming into line date or mid-year coming into line date, the member shall, no later than a date specified by Lloyd's, provide alternative acceptable assets to be held as funds at Lloyd's.

4. Cash at bank, in hand and in deposits with *credit institutions* and building societies

- (a) Cash which -
 - (i) is in an approved currency; and
 - (ii) is held by an approved *credit institution* or approved *building society*.
- (b) Cash in hand, namely cash which is in an approved currency and held by Market Services.
- (c) National Saving Certificates.

4A. Forward currency contracts

Forward currency contracts which satisfy the conditions in INSPRU 3.2.5R.

5. Letters of credit

Letters of credit which –

- (a) in the case of letters of credit issued on behalf of an individual member, contain the terms set out in Lloyd's prescribed form without any material additions to such terms and have been completed in strict compliance with the notes for completion set out therein;
- (b) in the case of letters of credit issued on behalf of a corporate member, contain the terms set out in Lloyd's prescribed form without any material addition to such terms and have been completed in strict compliance with the notes for completion set out therein;
- (c) have been issued or confirmed by an approved *credit institution*, an approved *building society* or an approved life assurance company;
- (d) have been issued on the headed notepaper of the issuer or confirmer or sent by an authenticated teletransmission system such as SWIFT;
- (e) are denominated in an approved currency;
- (f) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (g) are clean and irrevocable;
- (h) are subject to not less than 4 years' notice of cancellation;
- (i) are governed by English law and subject to the exclusive jurisdiction of the English courts;

- (j) if issued or confirmed after 31 December 1994 have not been issued or confirmed on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence unless the members' agent of the member on whose behalf such a letter of credit has been issued has satisfied itself that the person who has provided such collateral security has readily realisable assets outside Lloyd's at least equal in value to the face value of the letter of credit. This limitation shall not apply in relation to a letter of credit issued in connection with an interavailability arrangement in substitution of a letter of credit issued on or before 31 December 1994; and
- (k) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so that, for example, if it is due to expire on or before 30th September 2018 it will not be an acceptable asset for the 2015 and any subsequent year of account.

6. Guarantees

Guarantees which -

- (a) in the case of guarantees issued on behalf of an individual member, are -
 - (i) if given (or to be given) by joint guarantors, in the relevant Lloyd's prescribed form and have been completed and executed in strict compliance with the relevant notes for completion;
 - (ii) if given (or to be given) by an approved *credit institution*, in the relevant Lloyd's prescribed form and have been completed and executed in strict compliance with the relevant notes for completion;
 - (iii) if given (or to be given) by an insurance company, in the relevant Lloyd's prescribed form and have been completed and executed in strict compliance with the relevant notes for completion;
- (b) in the case of guarantees issued on behalf of a corporate member, are -
 - (i) if given (or to be given) by joint guarantors, in the relevant Lloyd's prescribed form and have been completed and executed in strict compliance with the relevant notes for completion;
 - (ii) in the case of any other guarantee, in the relevant Lloyd's prescribed form and have been completed and executed in strict compliance with the relevant notes for completion;
- (c) have been provided by an approved *credit institution*, an approved *building society* or an approved life assurance company;
- (d) are denominated in an approved currency;
- (e) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (f) are subject to not less than 4 years' notice of cancellation;

- (g) are governed by English law and subject to the exclusive jurisdiction of the English courts;
- (h) if provided after 31 December 1994 have not been provided on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence unless the members' agent of the member on whose behalf such a guarantee has been issued has satisfied itself that the person who has provided such collateral security has readily realisable assets outside Lloyd's at least equal in value to the face value of the guarantee. This limitation shall not apply in relation to a guarantee issued in connection with an interavailability arrangement in substitution of a guarantee issued on or before 31 December 1994; and
- (i) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so that, for example, if it is due to expire on or before 30th September 2018 it will not be an acceptable asset for the 2015 and any subsequent year of account.

7. Life assurance policies

In the case of individual members only, life assurance policies, provided the following conditions are met –

- (a) contracts of life assurance must be underwritten by an approved life assurance company;
- (b) the member must be the sole beneficial owner and bonds must not be encumbered by mortgages, loans or other charges of any kind, or be the subject of prior trusts;
- (c) the contracts must have been duly assigned to Lloyd's using whichever of the prescribed forms of assignment for contracts to be included in a member's funds at Lloyd's is appropriate in the circumstances no later than the date on which these conditions and requirements came into force (as stated in paragraph 22 hereof);
- (d) notice of assignment must be given to the company which has underwritten the policy in a form approved by an authorised person;
- (e) permitted contracts are -
 - (i) fully-paid or partly-paid bonds;
 - (ii) paid-up endowment or whole life policies on which no further premiums are due or payable;
 - (iii) partly paid endowment or whole life policies; or
 - (iv) broker managed bonds;
 - (v) contracts falling within (ii), (iii) or (iv) may only be taken into account if the issuing company undertakes to provide automatic annual valuations;

- (vi) contracts which consist of two or more interdependent policies may be acceptable provided that any inter-change of value does not involve payments out of, or receipts into, the member's funds at Lloyd's. A bond may be written on a joint life basis;
- (f) the contracts must maintain their value, subject to normal fluctuations in market values of the underlying investments in the life company's funds. In general, any surrender of units, bonuses or sums assured which could reduce the value of policies or bonds below the value at which they were accepted into the member's funds at Lloyd's, is not permitted; however, income may be drawn subject to the following conditions -
 - (i) in the case of guaranteed income from bonds, provided that the capital value of the bonds is not reduced;
 - (ii) in the case of income from bonds linked to units on which income is distributed, provided no surrender of units is involved;
 - (iii) in the case of bonds linked to units where income is accumulated, income may be drawn by surrender of units, provided that such surrender does not reduce the value of the bond below 95 per cent of the agreed value at the time of entry to the member's funds at Lloyd's;
 - (iv) withdrawals may not be taken on an automatic basis, unless the life company has agreed to monitor the value of the policy, in order that it shall not fall below 95 per cent of its admitted value.
- (g) the contracts must be readily realisable -
 - (i) bonds linked to units must have surrender values which can be determined by multiplying the bid price of the units as published daily in the Financial Times, by the number of units held, without deductions of any kind by the company; or
 - (ii) in the case of paid-up life or endowment policies, they must have a surrender value determined by the company actuary and guaranteed to hold for 30 days; or
 - (iii) for other types of contract they must have a minimum surrender value guaranteed from the time of receipt into funds at Lloyd's for the duration of the policy or bond; and
 - (iv) in any contract where the maturity proceeds are expressed as payable by instalments, there must be an option to take a lump sum in lieu.

In all cases, cash on surrender must be payable within 14 calendar days, on production of the policy document and deed of assignment.
- (h) second-hand life policies which have been solely assigned to a member and which meet the requirement listed above will be acceptable.

8. Concentration limits

Holdings in assets of the kind listed in this Appendix (other than *approved securities*, holdings in *UCITS schemes*, letters of credit, guarantees and life assurance policies)

shall not exceed the limits set out in *INSPRU* 2.1.22R, expressed as a percentage of the overall value of a member's funds at Lloyd's.

APPENDIX 4

MEMBERS' COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS

Year of Account

Members' Agent's Confirmation Form

Members' Agent:

Date:/...../.....

We confirm (in respect of those members underwriting on the account) that each member for whom we act (either as co-ordinating or sole members' agent) has either complied with the Membership and Underwriting Conditions and Requirements (Funds at Lloyd's) or has been excused compliance with those requirements by the Council of Lloyd's and that each member has signed a syndicate list confirming that member's underwriting participations for the [] year of account.

IMPORTANT NOTICE

The confirmations made in this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Compliance Officer, Market Services.

Signature of Director/Partner
(or other authorised signatory)

Name (in block capitals)
Title/Position

Please return this form to the Compliance Officer, Market Services, by such date as may from time to time be prescribed.

APPENDIX 5

PART 1

MEMBER'S COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS

Year of Account

Corporate Member's Confirmation Form

Corporate Member :	(“the Corporate Member”)
Membership Number:	

Date:/...../.....

I confirm that the Corporate Member has either:

- (a) complied with the Membership and Underwriting Conditions and Requirements (Funds at Lloyd's) and has sufficient funds at Lloyd's to support the following year's underwriting as demonstrated by the calculation in Part 2 of this statement; or
- (b) has been excused compliance with those conditions and requirements by the Council of Lloyd's;

AND that the Corporate Member has signed a syndicate list confirming its underwriting participations for the [] year of account.

IMPORTANT NOTICE
The confirmations and figures stated within both pages of this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Team Manager, Custody Services, Market Services.

Signature of Director/Partner
of the Corporate Member

Name (in block capitals)
Title/Position

Please return this form to the Team Manager, Custody Services, Market Services, by such date as may from time to time be prescribed.

(Cont'd overleaf)

APPENDIX 5

PART 2

MEMBER'S COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS

Year of Account

DETAILS MUST BE TYPED, OR COMPLETED IN BLOCK CAPITALS

Member Name:	
Membership Number:	

ALL FIGURES DETAILED BELOW ARE IN GBP

A	Proposed level of Underwriting (OPL) for next year	£	
B	Economic Capital Assessment (ECA) Round down to one decimal place - MINIMUM 40.0%	%	
C	Calculated amount of FAL requirement (A x B)		£
D	Half-Year (Surplus) / Deficit AND Open Year (Surplus) / Deficiency Please note: a positive result is expressed as a negative to reduce the capital requirement; a negative result is expressed as a positive to increase the capital requirement	£	
E	PTF (Assets) / Debts – Net Position as at .. June 20..	£	
F	Total FAL Requirement (C + D + E) PLEASE NOTE – The Net FAL requirement minimum after applications of allowable calls may not fall below 40% (unless the member underwrites predominantly Motor business)		£
G	FAL Value at .. June 20.. excluding as applicable Concentration Disallowance and including Letters of Credit/Bank Guarantees under notice of cancellation not covering solvency deficiencies	£	
H	Lower of Covenant Deed value or Charged Assets at .. June 20..	£	
I	Value of Interavailable FAL (after Donor earmarking)	£	
J	Value of FAL / FIS assets added since .. June 20..	£	
K	Value of FAL / FIS (released) since .. June 20.. Please use a minus figure	£	
L	Funds in Syndicate (FIS) at .. June 20..	£	
M		£	
N		£	
O	Total FAL available to support 20.. underwriting (G + H + I + J + K + L + M + N)		£
P	Amount of new/additional FAL required / (Surplus FAL) (F – O)	£	

Notes:

- Please complete the calculation above to support a CIL application or a request to release surplus FAL in respect of an active corporate member. **If you subsequently amend the OPL you will need to re-calculate the revised ECA %.**