

SOLVENCY II PILLAR 3 RETURNS (QAD/AAD) INSTRUCTIONS



CONTENTS

	Pages
Section 1: Introduction	3
Section 2: General Instructions	5
Section 3: Form Instructions for Quarterly Asset Data/Annual Asset Data (QAD/AAD)	9
Appendices	
1. Managing Agent's Report (QAD910 Template)	
2. EIOPA Complementary Identification Code (CIC) Table	

SECTION 1: INTRODUCTION

Syndicate investment information reported in the QAD/AAD is required for input into the Lloyd's Internal Model (LIM) in order to calculate market risk capital requirements under Solvency II.

The forms, instructions and reporting timetable set out in these documents are based on Lloyd's interpretation on the Solvency II Pillar 3 requirements as they are currently known. The specification is based on EIOPA's Pillar 3 final report published in July 2012. EIOPA has indicated that these forms are stable, however, they could still change considering that they are not yet final.

Accordingly, this material is draft and will be reviewed and revised in 2015 following further clarification of final requirements from EIOPA. However, neither the reporting timetable nor the reporting requirements are expected to change materially from current expectations. Thus managing agents are advised to use this material to assist them with their detailed preparations for meeting Solvency II reporting requirements.

These instructions apply to the QAD as at 30 September 2014 (see 2.2.1 below for deadlines).

Any queries on these instructions or the QAD templates should be sent to one of the following:

- Lloyds-SolvencyReturns@lloyds.com
- Debbie Sallas (debbie.sallas@lloyds.com)
- George Maina (george.maina@lloyds.com)
- Paul Appleton (paul.appleton@lloyds.com)

SECTION 2: GENERAL INSTRUCTIONS

2.1 QAD return

- 2.1.1 The QAD return provides the information needed to enable Lloyd's to, among other things:
- Input the syndicates' investment information reported into the Lloyd's Internal Model (LIM) in order to calculate market risk capital requirement under Solvency II.
- 2.1.2 This return is prepared based on the Solvency II reporting templates issued by EIOPA in July 2012, but tailored where necessary to meet the requirements for Lloyd's syndicates.
- 2.1.3 QAD will be an asynchronous return due to the high volume of data required.

Asynchronous

This approach has been used for returns with high volume of data, for example, PMD/GQD/TPD returns. Below are some of the features:

- data is input to Core Market Returns as a series of zipped csv files
- edits to the data are made by updating the csv and re-uploading it
- validations are done when the data is uploaded
- prior to submission, a validation tool is provided to pre-process the data for format compliance
- summary data can be printed

2.2 Reporting Timetable: QAD Submissions

- 2.2.1 QAD Timetable: The following table provides the 2014 reporting deadline for the QAD return submissions, as required by the Lloyd's Internal Model (LIM). The electronic version of the completed QAD submissions are required to be submitted by the managing agent to the Core Market Returns Site by 2pm on the relevant submission date.

Quarter	Submission date	Audited?	Type of submission	Required Forms
Q3 2014	Thursday 30 October 2014	No	Electronic only	QAD 230, 233 and 236

All submissions are 'live filings' and managing agent's report must be provided. The wording of the managing agent's report is included in the CMR software and also as Appendix 1.

The managing agent's report should be sent to:

Debbie Sallas

Lloyd's Treasury & Investment Management

Gallery 6

Lloyd's 1986 Building

One Lime Street

London EC3M 7HA

There is no reception area on gallery 6 so hard copies that are to be delivered by hand must be taken to the “tenants and courier” office which is located on the lower ground floor on the left hand side of the Lloyd’s building when viewed from Lime Street.

- 2.2.2 Late Submissions: Failure to submit the return by the due deadline will be considered a breach of the Underwriting Byelaw (No. 2 of 2003) as amended at quarters 1, 2, 3 and 4, and a breach of the Solvency and Reporting Byelaw (No.5 of 2007), as amended for annual reporting. A resubmission of the return after the deadline date will be considered a late submission.

Managing Agents will be subject to disciplinary action and fines will be imposed if the return is submitted after the due deadline, in accordance with the following schedule:

- Per return per syndicate – flat fine £5,000
- Per return per syndicate – additional fine per working day late £1,000

Persistent delays will lead to further disciplinary action.

A return that requires a resubmission after the deadline date will be treated as a late return and fines will be imposed.

In 2014, these requirements shall only apply in practice for the submissions of the QAD forms 230, 233 and 236.

We would appreciate advance notification when managing agents become aware of specific instances that may impact their ability to meet the submission deadlines.

2.3 Key contacts

- 2.3.1 Any queries about the completion of the Pillar 3 returns should be directed by e-mail to Market Finance at Lloyds-SolvencyReturns@lloyds.com. All queries will be responded to by the end of the following working day.
- 2.3.2 Please include the relevant form number(s) and a reference to the issue raised in the email header.

2.4 Overview of return

- 2.4.1 Parallel corporate syndicates must complete and submit separate Pillar 3 returns.
- 2.4.2 The return must be completed in respect of all open years of account and all run-off years of account, in order to reflect the total insurance business transacted by underwriting members of Lloyd’s.
- 2.4.3 When setting up a return, the system will generate the forms to be completed, and establish the validation rules to be adhered to, as appropriate to that syndicate’s circumstances.

2.5 Exchange rates

- 2.5.1 All figures are to be provided in GBP. A market bulletin will be issued on the next working day following each quarter end providing suggested, but not mandatory, average and closing rates.
- 2.5.2 Solvency II requires that all assets and liabilities should be measured at fair value, hence all foreign currency assets and liabilities should be translated at closing rate.

2.6 Reporting configuration

- 2.6.1 All forms are to be completed in currency units, not 000's, unless specified on the form. Generally, all values must be entered as positive numbers unless otherwise stipulated on the forms and instructions.

2.7 Completion of forms

- 2.7.1 All amounts on each form must be completed as indicated on the form. Additional guidance is provided in respect of each form in these instructions.
- 2.7.2 Certain figures disclosed on some forms in the return must agree or relate to figures on other forms.

2.8 Key Changes

- 2.8.1 Syndicates are required to identify Private Equity Investments on QAD230 and QAD236, by reporting 'PRIVEQ' in the Issue Type field. Please refer to section 3.3 for full details.
- 2.8.2 NACE codes should be reported in the Issuer sector field (GICS are no longer accepted). Please refer to section 3.3 for full details.

SECTION 3: FORM INSTRUCTIONS FOR QAD/AAD

3.1 QAD/AAD010: Control Page

PURPOSE OF FORM: *This form collects/confirms basic information regarding the syndicate, including the syndicate number and managing agent.*

When you set up a return, you are required to enter a person as the contact for the return. Any queries on the return will be addressed to this person together with the person who clicks the action “sign off” prior to submission of the return.

Each syndicate will have a return Administrator. The Administrator is responsible for adding/amending contact details for the return. Please ensure that all contact details are correct. Details can be updated via the ‘Admin’ link on the Core Market Returns (CMR) menu.

We do recognise, however, that persons signing off the return may not necessarily be those to whom queries should be sent to. If this is the case, please email Market Finance via Lloyds-SolvencyReturns@lloyds.com, with details of an alternative contact who will be included on the queries distribution list relating to the syndicate.;

Due to the volume of data being reported in the Quarterly Asset Data (QAD) and Annual Asset Data (AAD), these returns are asynchronous returns. Hence syndicates will not be able to view the forms as they appear on the specifications, but will get playback summaries of the information loaded into CMR.

3.2 Managing Agent’s Report – QAD910

This is the managing agent’s report on the QAD return at Q3 and Q4. The report must be approved, signed and dated, on behalf of the directors of the underwriting agent, by the finance director and by the compliance officer or another director of the managing agent. Each person must only sign in one capacity.

The wording of the report is included in the CMR software and also as [Appendix 1](#).

3.3 QAD/AAD230: Investment Data – Portfolio List

PURPOSE OF FORM: *This form collects a detailed list of investments and it provides a full vision of the risks in the investment portfolio.*

This form is required for all years combined and is required on a quarterly and annual basis.

All types of investments (including bank deposits and deposits relating to reinsurance accepted) should be reported in this form. However, derivatives are not included in this form because they are required to be completed in specific forms i.e. QAD/AAD233 and QAD/AAD234 for open and closed derivatives respectively. In the case of investment funds, these should be included in this form at a total level and not on a look-through basis, as the look through is reported on QAD/AAD236 i.e. only one line per fund should be reported on this form.

All investments, other than the ones listed below, should be reported individually, per ID code. However, in the case of following assets:

- Cash and deposits (CIC XT71, XT72, XT73, XT74 & XT79), only one line per pair (bank and currency) should be reported
- Deposits to cedants (CIC XT75), only one line per counterparty should be reported

- Mortgage and loans (CIC XT8#); for mortgages & loans to individuals, including loans on policies, there should be only two lines, one line regarding loans to senior management and another regarding loans to other individuals without distinction between individuals

This form will be used for collecting information required for Lloyd's Internal Model (LIM) as well as for reporting to the PRA. To ensure that adequate information for LIM is available, the original EIOPA template has been tailored to include fields to collect information on funds in syndicate (FIS). The two fields that have been added are market value (Non-FIS) and market value (FIS).

Lloyd's managed and cash sweep investment funds

Lloyd's are proposing (subject to agreement with the PRA) that funds managed by Lloyd's Treasury & Investment Management (LTIM) (ASL, Overseas Trust Funds and PTF Commingled Funds) and the primary sweep accounts will be reported as investment funds in QAD/AAD230 with full look-through information provided by Lloyd's in QAD/AAD236.

When reporting these investments please include as a single line entry on both the QAD 230 and 236; classifying the "Level of look-through" as "O" and the "CIC" as "XL39" on the 236. Please refer to the QAD 230 and 236 Lloyd's managed investment fund (LMIF) templates on the QAD FAQ document for detailed information on how to report these investments. The templates provide the correct data for all the QAD fields; syndicates will only need to add their total valuation for each fund (please remember that all the valuations must be reported in GBP). The complete list of underlying assets will then be applied by Lloyd's upon submission.

Please use the LMIF ID Codes as per the below tables and **note that these fund codes should only be used for trust fund assets managed by Lloyd's Treasury & Investment Management (LTIM) (ASL, Overseas Trust Funds and PTF Commingled Funds). All other syndicate assets within your trust funds should be reported as directly held investments i.e. individual securities should be reported only in QAD230 and investment funds should be reported as a single line in QAD230 and a look-through in QAD236.**

Additional Securities Limited (ASL)

LMIF	Investment Fund Name
ASLAU0001	ASL – Australia
ASLBS0001	ASL – Bahamas
ASLBR0001	ASL – Brazil
ASLKY0001	ASL - Cayman Islands
ASLGD0001	ASL – Grenada
ASLHK0001	ASL - Hong Kong
ASLNA0001	ASL – Namibia
ASLSG0001	ASL – Singapore
ASLVC0001	ASL - St Vincent & Grenadines
ASLCH0001	ASL – Switzerland
ASLTT0001	ASL – Trinidad

The ASL Lloyd's Asia and ASL Singapore assets are managed together and should therefore be combined in your submission under ASL Singapore (ASLSG0001).

Overseas Securities Trust Funds (OSTF)

LMIF	Investment Fund Name
AJATF2001	Australian JATF(2)
ATF000001	Australian Trust Fund
CMF000001	Canadian Margin Fund
ITF000001	Illinois Trust Fund
JATFRE001	JATF Reinsurance
JATFSL001	JATF Surplus Lines
KJATF0001	Kentucky JATF
KTF000001	Kentucky Trust Funds
SATTF0001	South Africa Transitional Fund
SATF00001	South Africa Trust Fund

PTF Commingled Funds

LMIF	Investment Fund Name
PTFCA0001	Canadian PTF Commingled Account
LCBACA001	LCBA CAD Commingled Account
LCBAUS001	LCBA USD Commingled Account

Cash Sweep Investment Funds

LMIF	Investment Fund Name
FIERACAD1	FIERA Canadian Dollar Short Term Blended Investment Account (RBC Sweep)
FIERAUSD1	FIERA US Dollar Short Term Blended Investment Account (RBC Sweep)
WALF00001	Western Asset (US Dollar) Liquidity Fund (WALF) previously Citi Institutional Liquidity Fund (CILF)
WAICR0001	Western Asset Institutional Cash Reserves (WAICR) previously Citi Institutional Cash Reserve (CICR)

Investments issued by government agencies or issued with a government guarantee

The definition provided by EIOPA on government bonds includes "bonds issued by public authorities, whether by central governments, supra-national government institutions, regional governments or

municipal governments". This definition does not include agency and government guaranteed bonds, therefore Lloyd's expects these assets to be classified as corporate bonds (CIC ##2#) and reported as such until further clarification is received from EIOPA/PRA. In addition, EIOPA does not provide specific CIC sub-categories for investments issued by government agencies, investments issued with a government guarantee, reverse repurchase agreements or private equity investments, but Lloyd's requires these assets to be identified for modelling purposes. Therefore, please complete the Issue type field for agency, government guaranteed instruments, reverse repurchase agreements and private equity investments as per the below table.

Asset Type	Issue Type
Agency	AGENCY
Government Guaranteed	GOVTGTD
Private Equity	PRIVEQ
Reverse Repurchase Agreements	REVREPO
Other	NA

For reverse repurchase agreements, Lloyd's also requires syndicates to identify the asset type of the collateral; when reporting a reverse repurchase agreement in QAD/AAD230, the CIC field should be completed using the asset class of the collateral. When reporting a reverse repurchase agreement in QAD/AAD236 the CIC and the Underlying asset category fields should also be completed using the asset class of the collateral.

Supra-national bonds

These are bonds issued by public institutions established by a commitment between national states, e.g. issued by a multilateral development bank as listed in Annex VI, Part 1, Number 4 of the Capital Requirements Directive (2006/48/EC) or issued by an international organisation listed in Annex VI, Part 1, Number 5 of the Capital Requirements Directive (2006/48/EC). These are:

Multilateral banks

- International Bank for Reconstruction and Development
- International Finance Corporation
- Inter-American Development Bank
- Asian Development Bank
- African Development Bank
- Council of Europe Development Bank
- Nordic Investment Bank
- Caribbean Development Bank
- European Bank for Reconstruction and Development
- European Investment Bank
- European Investment Fund
- Multilateral Investment Guarantee Agency.

International organisations

- European Community
- International Monetary Fund
- Bank for International Settlements.

ID code: All assets reported in QAD/AAD230 should be allocated a unique ID code and where there are multiple holdings of the same asset these should be aggregated and reported as one line. The ID code should be ISIN if available, other recognised code (CUSIP, CINS, Sedol, Bloomberg ticker etc.) or the syndicate's specific code if nothing else is available (e.g property). In the case of cash at bank, the bank account number can be used as ID code. Where this is not possible, a unique ID should be allocated and this should be used in all future submissions. In the case of investment funds, the ID code reported in this form should be the investment fund code (LMIF code if the fund is a Lloyd's Treasury & Investment Management (LTIM) fund or a cash sweep investment fund) and, for the same investment fund, this code should be the same as the investment fund code reported in QAD/AAD236.

ID code type: Type of ID Code used for the "ID Code" item, for example, ISIN, CUSIP, CINS, Bloomberg, LMIF, undertaking specific etc. This is presented in the CMR as a closed list and it is included in the reference data. For each investment fund, the ID code type reported on this form should be the same as the Investment fund code type reported in QAD/AAD236.

Assets pledged as collateral: This identifies assets in the balance sheet that have been pledged as collateral, i.e. collateral pledged (CP), collateral for reinsurance accepted (CR), collateral for securities borrowed (CB), repos (R) and not applicable (NA).

Security title: This is the name of the security and it is not applicable for mortgages and loans on individuals within CIC category 8 (Mortgages and Loans) as these are not required to be reported individually, and for Plant and Equipment (CIC XT95). For cash in hand and cash at bank, the security title may be referred to as "cash in hand" and "cash at bank" respectively.

Issuer name: An issuer is defined as the entity that offers securities representing parts of its capital, debt, derivatives etc., for sale to investors. For investment funds, the issuer name is the name of the funds manager. This is not applicable for mortgages and loans on individuals within CIC category XT8# (Mortgages and Loans), as these are not required to be reported individually, and for Property (CIC category XT9#).

Issuer sector: This is the economic sector of the issuer of the security and should be based on the latest version of the NACE code. The letter reference of the NACE code identifying the section should be used as a minimum for identifying sectors, for example, "A" or "A.01.11" would be acceptable except for NACE relating to financial and insurance activities for which the letter identifying the section followed by the 4 digits code for the class should be used (for example, "K.66.30" to denote "fund management activities").

Issuer group: This is the name of the ultimate parent undertaking of the issuer. For investment funds the group relation is in relation to the fund manager.

Issuer country: This is the country where the legal seat of issuer is located. For investment funds, the country is relative to the funds manager. The legal seat, for this purpose, should be understood as the place where the issuer head office is officially registered, at a specific address, according to the commercial register (or equivalent). The International Organisation for Standardisation (ISO) alpha 2 codes should be used, i.e. two letter country codes. For example, "US" to denote United States,

except for supranational issuers and European Union institutions where “XA” and “EU” should be used respectively.

Country of custody: This is the ISO code of the country where undertaking assets are held in custody. For identifying international custodians (e.g. Euroclear), the country of custody will be the one corresponding to the legal establishment where the custody service was contractually defined.

Currency (ISO code): This is the currency of the issue and the code should be the ISO code as defined in ISO 4217 alphabetic code, for example, USD for US dollars.

CIC: This refers to Complementary Identification Code (CIC) and it is the EIOPA Code used to classify securities. See Appendix 1 for the CIC table. When classifying an asset using the CIC table, syndicates should take into consideration the most representative risk to which the asset is exposed. The code should comprise of four characters, for example, ES15 denoting, treasury bonds listed in Spain. When identifying the location of the asset, the country ISO code where the asset is traded should be used. When determining CIC for supranational issuers and European Union institutions “XA” and “EU” should not be used, but instead the country ISO code where the security is traded/listed should be used. If this is traded in more than one country, then the country used for valuation reference should be used.

Participation: This is defined in article 13(20) of the Solvency II Directive as “ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking”. These are the five different criteria for classifying participation:

- the asset is not a participation (N)
- it is a participation but not consolidated at group level and not strategic (YNGNS)
- it is a participation not consolidated at group level but strategic (YNGS)
- it is a participation, consolidated at group level and not strategic (YGNS)
- it is a participation, it is consolidated at group level and is strategic (YGS)

External rating: This is the rating given by an external rating agency and is only applicable to CIC categories ##1#, ##2#, ##5# and ##6#. The syndicate must report the external rating (only the rating symbol, without any outlook) that in their perspective is best representative and used internally for SCR calculations. This field must always be populated, therefore where a security is not rated, “NR” should be reported. The rating reported should be as per the closed list provided in the CMR as part of the reference data.

Rating agency: This is the rating agency giving the external rating and should be selected from a closed list provided in the CMR as part of the reference data. Similar to the external rating, where a security is not rated, “NR” should be reported.

Duration: This is the ‘residual modified duration’ in years. For assets without fixed maturity the first call date should be used. It only applies to CIC categories ##1#, ##2#, ##42 (when applicable, e.g. for investment funds mainly invested in bonds), ##5# and ##6#.

Quantity: This depends on the type of assets (e.g. number of shares for equity and investment funds, total valued in par amount for bonds). This is not applicable for CIC categories XT7#, XT8# and XT9#. In the case of bonds, the par value (quantity) should be converted to GBP using the rate of exchange at the end of the period.

Unit Solvency II price: This depends on the type of assets (amount in GBP for shares, ratio of market value to par value for bonds). For bonds this should be the clean price (consistent with IFRS)

i.e. should not include accrued interest and should be reported as a ratio of market value to par value. For example, a corporate bond with a clean market price of £ 900 and a par value of £ 1000 should be reported as 0.9. This is not applicable for CIC categories XT7#, XT8# and XT9#.

Solvency II valuation method: Identify the valuation method used when valuing assets. This should either be one of the five options below:

- Quoted market price in active markets for the same assets (QMP)
- Quoted market price in active markets for similar assets (QMPS)
- Alternative valuation methods (AVM)
- Adjusted equity methods (applicable for the valuation of participations) (AEM)
- IFRS equity methods (IEM) (applicable for the valuation of participations)

Syndicates will not be expected to report either of the last two methods i.e. AEM and IEM.

Acquisition price: This is the acquisition price of each asset i.e. unit price per share/unit held in the investment fund. Where there are different acquisition prices due to acquisitions made at different dates, an average acquisition price must be used and consequently only one line is completed for one single asset, independently of having more than one acquisition. This is not applicable to CIC categories XT7# and XT8#.

Total Solvency II amount: This is the Solvency II value of the investments and it corresponds to the multiplication of “Quantity” by “Unit Solvency II price” plus “Accrued interest” (Quantity x Unit Solvency II price + Accrued interest) for the following CIC categories; ##1#, ##2#, ##3#, ##4#, ##5# and ##6#. It must also equal to the sum of Market value (Non-FIS), Market value (FIS) and Accrued interest.

Maturity date: This is only applicable for CIC categories ##1#, ##2#, ##5#, ##6# and XT8# and corresponds always to the maturity date, even for callable securities. The date should be reported in ISO date format i.e. YYYY/MM/DD and for perpetual securities, the date should be reported as 9999/12/31. This date should be greater than the reporting end date.

Accrued interest: This is the amount of interest that is to be received in future from each asset and it forms part of Total Solvency II amount.

Market value (Non-FIS): This is the market value (clean value) of the securities held in the premium trust funds (PTFs) in respect of open and run-off reporting years of account. Where the valuation basis adopted in the QMA is the same as that required for Solvency II, the total market value (Non-FIS) should tie back to the amounts reported in the QMA201.

Market value (FIS): This is the market value (clean value) of the securities held as funds in syndicates (FIS), either separately or commingled within the syndicates PTFs. Where the valuation basis adopted in the QMA is the same as that required for Solvency II, the total market value (FIS) should tie back to the amounts reported in the QMA202.

Where securities are commingled, that is, investments in respect of FIS and open/run-off years of account (Non-FIS) are not managed separately, only one entry per security should be reported with the amounts presented in the appropriate columns.

Issue type: This is the means of identifying investments issued by a government agency, government guaranteed bonds and reverse repurchase agreements for capital modelling purposes. Please use the appropriate code as listed on page 12. If none of the specific options is applicable please use “NA”.

3.4 QAD/AAD233: Derivatives Data – Open Positions

PURPOSE OF FORM: *This form reports information on all derivatives held by the syndicate. It provides information on risks and risks mitigating strategies followed through the use of derivatives.*

This form is required for all years combined and is required on a quarterly and annual basis.

This includes all derivatives contracts that existed during the reporting period and were not closed prior to the end of the reporting period. Derivatives to be reported in this form are the ones directly held and so don't include the ones held indirectly through investment funds or structured products. The value of the open contracts at the end of the reporting year should agree to QSR/ASR002, lines A27 and A79.

Lloyd's expect syndicates to report one line for each derivative, except for derivatives which have more than one currency as these derivatives should be split into the components and reported in different lines. Foreign exchange contracts, for example, should be populated as two entries (one for each currency); a long (buy) leg and a short (sell) leg. Worked examples of derivatives data reported on QAD/AAD233 are available in the QAD FAQ document ([Valuation and Balance Sheet section of Lloyds.com](#)).

ID code: This should be ISIN if available, other recognised code (CUSIP, Sedol, Bloomberg ticker etc.) or syndicate's specific if nothing else is available.

When a derivative is reported in multiple lines (e.g. a foreign exchange contracts reported in two lines, one for each leg) the same ID code should be used for all the related entries.

ID code type: Type of ID Code used for the "ID Code" item, for example, ISIN, CUSIP, Bloomberg, undertaking specific etc. This is presented in the CMR as a closed list and it is included in the reference data.

Counterparty ID: This is the identification of the counterparty of the derivative contract (derivative exchange or the counterparty for OTC derivatives).

External rating: This is the rating of the counterparty given by external rating agency and is only applicable to OTC or bespoke derivatives. The syndicate must report the external rating (only the rating symbol, without any outlook) that in their perspective is best representative and used internally for SCR calculations. This field must always be filled in, hence where a security is not rated, "NR" should be reported.

Rating agency: This is the rating agency giving the external rating and should be selected from a closed list. Similar to the external rating, where a security is not rated, "NR" should be reported.

Counterparty group: This is the name of the ultimate parent undertaking of the counterparty.

Contract name: This is the name of the derivative contract.

Asset or liability underlying the derivative: This is the asset or liability underlying the derivative contract. This should be reported in the form of the ID code and it should be provided for derivatives that have a single underlying instrument in the syndicate's portfolio.

Currency (ISO code): This is the currency of the derivative and should be presented as the ISO currency code, for example, CAD for Canadian Dollar. For derivatives that have more than one currency, it should be split into the components and reported in different lines.

Foreign exchange contracts should be populated as two entries (one for each currency); a long (buy) leg and a short (sell) leg.

CIC: This refers to Complementary Identification Code (CIC) and it is the EIOPA Code used to classify securities. Please see Appendix 1 for the CIC table. When classifying an asset using the CIC table, syndicates should take into consideration the most representative risk to which the asset is exposed to. The code should comprise of four characters, for example, FIC3 denoting, put option on currency listed in Finland.

Use of derivatives: This describes the use of derivative i.e. micro / macro hedge (MI/MA), efficient portfolio management (EPM). Micro hedge refers to derivatives covering a single financial instrument, forecasted transaction or liability. Macro hedge refers to derivatives covering a set of financial instruments, forecasted transactions or liabilities.

Delta: This measures the rate of change of option value with respect to changes in the underlying asset's price. This is only applicable to CIC categories ##B# and ##C# (Call and put options).

Notional amount: This is the amount covered or exposed to the derivative. For futures and options, this corresponds to the contract size multiplied by the number of contracts; and for swaps and forwards, this corresponds to the contract amount. The notional amount refers to the amount that is being hedged / invested (when not covering risks). If several trades occur, this should be the net amount at the reporting date.

Lloyd's expect the notional amount to be reported always in GBP and as a positive value. When a derivative is reported in two or more lines (e.g. a foreign exchange contracts reported in two lines, one for each leg), the same GBP equivalent notional amount should be reported in both lines.

Long or short position: A holder of a long position owns the security or notional amount at the contract inception, while a holder of a short position will own the security or the nominal amount at the end of the derivative contract. For derivatives that have more than one currency, the syndicates should report both the long (or buy) side of the derivative contract and the short (or sell) side in different lines.

The long and short position for swaps is defined relatively to the notional amount. For interest rate swaps (CIC categories ##D1 and ##D3) the syndicate has to report one of the following: "FX-FL (fixed-for-floating)", "FX-FX (fixed-for-fixed)", "FL-FX (floating-for-fixed)" or "FL-FL (floating-for-floating)".

Premium paid/received to date: This is the amount received (if sold) or paid (if bought), for options and also up-front and periodical amounts paid / received for swaps, since inception. If the cost is zero, report "0".

Number of contracts: These are the number of derivative contracts in the portfolio and it should be the number of contracts entered into. The number of contracts should be the ones outstanding at the end of the period.

Contract dimension: These are the number of underlying assets in the contract (e.g. for equity futures, it is the number of equities to be delivered per derivative contract at maturity, for bond futures it is the reference amount underlying each contract). This only applies to futures (CIC category ##A#) and options (CIC categories ##B# and ##C#).

Trigger value: This is the reference price for futures, strike price for options, currency exchange rate or interest rate for forwards, etc. This is not applicable to interest rate and currency swaps.

In the case of more than one trigger over time, report the trigger value during the reporting period.

Unwind trigger of contract: This is to identify the event that causes the unwinding of the contract. Possible options are:

- B - bankruptcy of the underlying or reference entity
- F - adverse fall in value of the underlying reference asset
- R - adverse change in credit rating of the underlying assets or entity
- N - novation i.e. the act of replacing an obligation under the derivative with a new obligation or replacing a party of the derivative with a new party
- M - multiple events or a combination of events
- O - other events.

Maximum loss under unwinding event: This is the maximum amount of loss if an unwinding event occurs and it should be reported as negative value. It is only applicable to CIC category ##F#.

Swap outflow amount: This is the amount delivered under the swap contract, during the reporting period. It corresponds to the interest paid for interest rate swap (IRS) and amounts delivered for currency swaps, credit swaps, total return swaps and other swaps. It is only applicable to CIC category ##D#.

Swap inflow amount: This is the amount received under the swap contract, during the reporting period. It corresponds to interest received for IRS and amounts received for currency swaps, credit swaps, total return swaps and other swaps. It is only applicable to CIC category ##D#.

Swap delivered currency: This is the currency of the swap price and it should be in form of ISO currency code. This is only applicable for currency swaps (CIC ##D2) and interest rate and currency swaps (CIC ##D3).

Swap received currency: This is the currency of the swap notional amount and it should be in form of ISO currency code. This is only applicable for currency swaps (CIC ##D2) and interest rate and currency swaps (CIC ##D3).

Trade date: This is the date of the trade of the derivative contract. When various trades occur for the same derivative, only the first trade date of the derivative and only one line for each derivative (no different lines for each trade) should be reported. The date should be reported in ISO date format (YYYY/MM/DD).

Maturity date: This is the contractually defined date of close of the derivative contract, whether at maturity date, expiring date for options (European or American), etc. The date should be reported in ISO date format (YYYY/MM/DD). The maturity date is expected to be greater than the reporting end date.

Duration: This is the residual modified duration of the underlying asset, in years, for derivatives for which a duration measure is applicable.

Solvency II valuation method: Identify the valuation method used when valuing assets. This should either be one of the three options below:

- Quoted market price in active markets for the same assets (QMP)
- Quoted market price in active markets for similar assets (QMPS)
- Alternative valuation methods (AVM)

Total Solvency II amount (Non-FIS): This is the market value of the derivatives (i.e. the value of the derivative contract and not of the underlying asset) held in the premium trust funds and can be

positive, negative or zero. Derivative assets (profits) should be reported as positive while liabilities (losses) as negative values.

When a derivative is reported in two or more lines (e.g. a foreign exchange contracts reported in two lines, one for each leg), the syndicate should report the total Solvency II amount (Non-FIS) on only one line i.e. either on the buy (L) side or on the sell (S) side.

Total Solvency II amount (FIS): This is the market value of the derivatives (i.e. the value of the derivative contract and not of the underlying asset) held as funds in syndicates (FIS) and can be positive, negative or zero. Derivative assets (profits) should be reported as positive while liabilities (losses) as negative values.

When a derivative is reported in two or more lines (e.g. a foreign exchange contracts reported in two lines, one for each leg), the syndicate should report the total Solvency II amount (FIS) on only one line i.e. either on the buy (L) side or on the sell (S) side.

Total Solvency II amount: This is the market value of the derivative (i.e. the value of the derivative contract and not of the underlying asset) as of the reporting date and it should be equal to the sum of Total Solvency II amount (Non-FIS) and Total Solvency II amount (FIS). It can be positive, negative or zero. Derivative assets (profits) should be reported as positive values while derivative liabilities (losses) as negative values.

For every derivative Lloyd's expect the total Solvency II amount (in absolute terms) to be lower than the notional amount.

3.5 QAD/AAD236: Investment Funds (look-through approach)

PURPOSE OF FORM: *This form reports information for each investment fund at a security by security level.*

This form is required for all years combined and is required on a quarterly and annual basis.

All the investment funds reported in the balance sheet (QSR/ASR002) and QAD/AAD230 should be reported in this form. The syndicate should ensure that reconciliation between this form, QAD/AAD230 and the balance sheet is carried out at a fund level as well as in aggregate. The level of look-through on investment funds should ensure that all material risks are captured. Solvency II requires this form to be reported at asset category level. However since this form is required for LIM purposes, additional fields (similar to those required in QAD/AAD230) have been added and the form will be required to be completed at security level. Look-through should be performed based on the following three options:

- **Standard (S):** This is the security level look-through. Where there are a number of iterations of the look-through approach (for example, where an investment fund is invested in other investment funds), the number of iterations should be sufficient to ensure that all material market risks are captured. When performing a standard look-through, syndicates should report only one line for each underlying security, even if the underlying security is a derivative with more than one currency (e.g. a forward exchange rate agreement). In the case of derivatives that are part of an investment fund, these should not be reported in QAD233.
- **Mandate (M):** This option is acceptable where a full security level look-through is not possible. For collective investment schemes that are not sufficiently transparent, the investment mandate/fund's prospectus guidelines should be used as a reference. It should be assumed that the scheme invests in accordance with its mandate in such a manner as to produce the maximum overall capital requirement.

- **Other (O):** Where security level and mandate look-through options are not possible, funds should be treated as equity and classified as “Other”. This assumes a high level of investment risk and will always have a CIC of XL39. We also request that the option of “Other” is used when reporting those investments in Lloyd’s Treasury & Investment Management (LTIM) Funds (ASL, Overseas Trust Funds and PTF Commingled Funds) and the primary sweep accounts (as listed above previously). Lloyd’s will then apply the full “Standard” look-through on behalf of the syndicate. This means that for all investment funds reported with a level of look-through of “O”, only one line per fund should be reported on this form.

Considering that this information is also being collected for LIM purposes, where possible, syndicates are required to use a security level look-through for investment funds and to refer to the investment mandate/prospectus if this is not possible. Please note that only one level of look-through per investment fund should be reported. Where there is a combination of standard and mandate look-through approaches within a single investment fund, please report the level of look-through as M (mandate) for the whole fund.

Investment fund code: This should be ISIN if available, other recognised code (CUSIP, Sedol, Bloomberg ticker etc.) or syndicate’s specific if nothing else is available. LMIF code should be used if the fund is a Lloyd’s Treasury & Investment Management (LTIM) fund or a cash sweep investment fund. For each investment fund, the investment fund code reported on this form should be the same as the respective ID code reported in QAD/AAD230.

Investment fund code type: Type of ID Code used for the “Investment fund Code” item, for example, ISIN, CUSIP, Bloomberg, LMIF, undertaking specific etc. This is presented in the CMR as a closed list and it is included in the reference data. For each investment fund, the Investment fund code type reported on this form should be the same as the ID code type reported in QAD/AAD230.

ID code: This is the ID code of the securities in which a fund is invested. This should be ISIN if available, other recognised code (CUSIP, CINS, Sedol, Bloomberg ticker etc.) or undertaking specific if nothing else is available.

Where the level of look-through of a fund is “S” or “M”, Lloyd’s expect the ID codes to be the ID codes of the underlying securities and to be different from the investment fund code. There should be no duplicate ID codes reported within the same investment fund. Indicative ID codes can be used for “M” (e.g. FUNDXYEQTY, FUNDXYGOVT, etc...).

Where the level of look-through is “O”, Lloyd’s expect the ID code to be the same as the investment fund code.

ID code type: Type of ID Code used for the “ID Code” item, for example, ISIN, CUSIP, CINS, Bloomberg, LMIF, undertaking specific etc. This is presented in the CMR as a closed list and it is included in the reference data.

Security title: This is the name of the securities in which a fund is invested. For cash in hand and cash at bank, the security title may be referred to as “cash in hand” and “cash at bank” respectively.

Where the level of look-through of a fund is “S” or “M”, security title should refer to the securities in which the fund is invested. Where the level of look-through is “O”, Lloyd’s expects the security title to be the name of the investment fund.

Issuer group: This is the name of the ultimate parent undertaking of the issuer. Where the level of look-through of a fund is “S”, the issuer group should be the ultimate parent undertaking of the issuer of the securities in which a fund is invested.

Where the level of look-through is “O” or “M”, the issuer group should be the ultimate parent undertaking of the fund manager.

External rating: This is the rating given by an external rating agency and is only applicable to CIC categories ##1#, ##2#, ##5# and ##6#. The syndicate must report the external rating (only the rating symbol, without any outlook) that in their perspective is best representative and used internally for SCR calculations. This field must always be populated, therefore where a security is not rated, “NR” should be reported. The rating reported should be as per the closed list provided in the CMR as part of the reference data.

Rating agency: This is the rating agency giving the external rating and should be selected from a closed list provided in the CMR as part of the reference data. Similar to the external rating, where a security is not rated, “NR” should be reported.

Duration: This is the ‘residual modified duration’ in years. For assets without fixed maturity the first call date should be used. It only applies to CIC categories ##1#, ##2#, ##5# and ##6#. Duration is expected to be zero when the level of look-through is “O”.

CIC: This is the Complementary Identification Code (CIC) of the securities in which a fund is invested. Please see Appendix 1 for the CIC table. When classifying an asset using the CIC table, syndicates should take into consideration the most representative risk to which the asset is exposed. The requirement to provide “look-through” data to underlying exposures of mutual funds and investment funds means that the “investment funds” (CIC category ##4#) should not be used. In the case where no look-through is performed, i.e. level of look-through is reported as “O”, this is treated as equity other, and the reported CIC should be XL39. CIC for investment fund liabilities, where applicable, should be reported as “NA”.

Underlying asset category: This identifies the securities categories present in the investment fund and these categories should be as defined in the CIC table. This should be the third character of the CIC. For example, government bonds should be reported as “1” and Structured notes as “5”. However, for equity, CIC category must be split between listed (3L) and non-listed (3NL). The investment fund’s liabilities should also be identified with (L).

Where the Level of look-through is “O”, the underlying asset category should be “3NL”.

Geographical zone of issue: This should show a breakdown of asset category by issuer geographical zone i.e. where the legal seat/head office of the issuer is located. This is to identify the geographical zone of the security category, using the following closed list of geographical zones:

- EEA
- OECD (non-EEA)
- RoW (rest of the world)

Currency (ISO code): This is the currency of the issue and the code should be the ISO code as defined in ISO 4217 alphabetic code, for example, USD for US dollars.

Total Solvency II amount (Non-FIS): This is the Solvency II value (including accrued interest) of the securities held in the premium trust funds (PTFs), in respect of open and run-off reporting years of account. Where the valuation basis adopted in the QMA is the same as that required for Solvency II, the total Solvency II amount (Non-FIS) should tie back to the amounts reported in the QMA201 (plus respective accrued interest reported as receivable in the QMA).

Total Solvency II amount (FIS): This is the Solvency II value (including accrued interest) of the securities held as funds in syndicates (FIS), either separately or commingled within syndicates PTFs. Where the valuation basis adopted in the QMA is the same as that required for Solvency II, the total Solvency II amount (FIS) should tie back to the amounts reported in the QMA202 (plus respective accrued interest reported as receivable in the QMA).

Where securities are commingled, that is, investments in respect of FIS and open/run-off years of account (Non-FIS) are not managed separately, only one entry per security should be reported with the amounts presented in the appropriate columns.

Total Solvency II amount: This is the total Solvency II value (including accrued interest) of the securities and it should be equal to the sum of Total Solvency II amount (Non-FIS) and Total Solvency II amount (FIS). The "Total Solvency II amount" for each investment fund code reported on QAD/AAD236 should agree to the "Total Solvency II amount" for the corresponding ID code reported on QAD/AAD230. Hence the sum of "Total Solvency II amount" for all entries on QAD/AAD236 should equal the sum of "Total Solvency II amount" for all investment fund entries on QAD/AAD230 (i.e. where the third character of the CIC on QAD/AAD230 is "4").

Issue type: This is the means of identifying investments issued by a government agency, government guaranteed bonds and reverse repurchase agreements for capital modelling purposes. Please use the appropriate code as listed at section 3.3. If none of the specific options is applicable please use "NA".

Level of look-through: This indicates the level of look-through performed and selection should be as follows:

- Standard(S) – look-through is performed at security by security level
- Mandate (M) – where investment funds are not sufficiently transparent, investment mandates should be used
- Other (O) – If the above is not achievable, the funds should be reported as "equity other".