

FROM: Manager, Tax Operations, Members' Services Unit EXTN: 2433

DATE: 10 May 2005 REF: Y3556

SUBJECT: **Special Reserve Fund transfers for the 2002 Underwriting Account**

SUBJECT AREA(S): Payments into the SRF

ATTACHMENTS:

ACTION POINTS: **Agents to note**

DEADLINE(S):

Introduction

The purpose of this bulletin is to advise agents of the changes made to the operation of the Special Reserve Fund (SRF) for the 2002 underwriting account distribution to accommodate the effect of Continuous Solvency Transfers (CST) on funds available to complete SRF transfers.

Release of CST

The time limits for making a payment into the SRF are unchanged. The Inland Revenue has confirmed that the release of a CST from a syndicate Premiums Trust Fund to a member's Personal Reserve Sub-Fund (PRF) will not prevent the member from making an SRF transfer from the 2002 underwriting account this year if he or she wishes to do so. Nor will the release of a solvency surplus following a CST from a member's PRF following the release test prevent a transfer being made to a member's SRF provided that all other conditions for a transfer are met.

Payments into the Special Reserve Fund

Provided that all other conditions for a transfer into the SRF are met, a member may move funds from his or her PRF into the SRF at the time of distribution. This may include funds that are within the PRF held outside of the Debt Allocation Matrix (DAM) to the extent that the profit for the year of account has been previously released to the member as a CST.

From a practical perspective members should wherever possible make the SRF transfer from the cash in distribution, which may include CST in respect of any year of account. As in previous years, instructions to make a transfer from the DAM to the SRF should be submitted via a DA file. Where there is a shortfall in the DAM payments can then be made from the PRF and instructions to make the transfer should be submitted via the EFS/ Metastorm system. Cash must be available in the PRF prior to submitting the instructions.

Payments into the SRF must be made in cash but both sterling and US dollars are permitted.

If you have any queries in connection with the above please contact Annette Stone on extension 2376.

This bulletin has been sent to all Members' Agents.

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