

MARKET BULLETIN

From Finance Assistant, Tax & Treasury (extn 5762)

Date 27 April 2006

Reference Y3799

Subject Securities transfer forms for US Situs Quarter 1 adjustment

Subject areas

Attachments Securities FAQ's

Action points **Note deadline**

Deadlines **8th May 2006**

This bulletin should be distributed to syndicate account managers and investment managers who may be interested in transferring securities for the Q1 adjustment taking place on the 11th May.

This bulletin is to advise that the deadline for securities transfer form submissions to Citibank London & NY for Deliver Free/ Receive Free transfers in relation to the US CRTF and SLTF Q1 adjustment is the **8th May 2006**.

If you are planning on using securities transfers please contact keith.coutinho@loyds.com for the most up-to-date version of template which includes validations and FAQ's (attached) to reduce common transfer errors. Please also advise if you are intending to transfer your whole portfolio in order to reinsure to close as there is a separate procedure in place.

Market bulletin Y3555 provides further details on this process.

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Lloyds Tax & Treasury
020 7327 5762

FAQ's

v1.01

Last updated:

21/03/2006

Please also see Market Bulletin Y3555 (May 2005) for general instructions in completing Master Schedule

1) Contacts

Primary Contacts

Citibank Quarterly Adjustment Group	Citibank NY, Dublin and London Group email	File Submission	Lloyds@citigroup.com	(see individuals)
Keith Coutinho	Lloyds Treasury	General/All queries	Keith.coutinho@lloyds.com	02073275762
Individual contact details				
Keith Coutinho	Lloyds Treasury	General/All queries	Keith.coutinho@lloyds.com	02073275762
Hazel Mosedale	Citibank London	Indemnities	hazel.mosedale@citigroup.com	02079865119
Kelly Creed	Citibank London	Indemnities	kelly.creed@citigroup.com	0207 986 5713
Ann Flynn	Citibank Dublin	Securities in LDTF	ann.flynn@citigroup.com	0035316225700 ext 20
William Mulrenin	Citibank NY	Securities/LOC's/Cash in CRT	william.mulrenin@citigroup.com	0012126572653
Other				
Any amounts being paid into Citibank London from a 3rd party (e.g. Mellon Bank) over US10m must be preadvised via fax to Citibank London's funding unit. Citibank to Citibank transfers do not need to be advised.				
	Funding Unit	Cash Pre advice		FAX: 0207 500 6124
David Whitby	Lloyds STFO	Cash Transfers	David.whitby@lloyds.com	01634 392206
David Cokayne	Lloyds MR	Reporting Packs	David.cokayne@lloyds.com	02073276238
Martina Dunbar	Citibank	Cash Accounts	martina.dunbar@citigroup.com	0035316229465

2) Market Value of securities/ Post adjustment valuation

Citibank will value transfers on the date of adjustment. You should therefore ensure a surplus is left within the US situs to cover any volatility movements.

eg TFMA \$100	Transfer Sec Est MV:	\$105.00
	Actual Market Value:	\$102.00
	Surplus/ (Deficit) on account	\$2.00

If there is a deficit as a result of market valuation of securities you will be required to immediately top up your USD account with cash

You are also reminded that accrued income will not be counted for funding purposes as it is not considered a Trust Asset under US law.

3) Example of completed master schedule for syndicate 5001 LDTF safekeeping account (6003500102) to CRTF account (450011)

Lloyd's Syndicate Number	Transfer From Ac (DF)	Transfer To Ac (RF)	CUSIP	Sedol Or ISIN	Security Description	Nominal (Original Face)
5001	6003500102	450011	61746WMV9	US61746WMV99	MSDWC 02-HQ A3 CMBS 6.5100% 04-15-34	6,055,000
MAX 4 digits	LDTF safekeeping account is 10 digits long and starts with "60". DO NOT USE CASH ACCOUNT	CRTF account is 6 digits long starts in 4 ends in 1, SLTF ends in 2	In 99% of cases the cusip is made up of the ISIN less the last digit and the prefix "US"		Citidirect description	Units must be whole integers minimum 1000 both the transfer and residual amount must also be a tradable sum

4) Treatment of Paydowns

All securities with paydowns must be instructed at original face so the correct value is transferred. This will leave a large difference in Nominal and market value (the paydown factor)

E.g.

Sedol Or ISIN	Security Description	Nominal (Original Face)	Original Cost	Estimated Market Value
US31404JS893	FNMA #0770143 ARM 4.5700% 02-01-34	5,500,000.00	2,278,060.53	2,275,730.92

5) Reminder to IM's not to sell securities to be transferred!!!

An obvious one but one which happens each quarter. Please remind your IM if you are planning to transfer a security you can not sell that security prior to transfer.

In addition you can not transfer securities which you have not settled yet (i.e. you can not transfer a security which is traded but not yet settled)

6) Maximum Delivery size

The maximum size of a security that can be delivered in any one transaction is \$50m nominal. If you have over \$50m nominal of one security you will need to split delivery into two transactions/lines e.g.

Security Description	Nominal (Original Face)	Original Cost	Estimated Market Value
MSDWC 02-HQ A3 CMBS 6.5100% 04-15-34	50,000,000	50,512,000	51,250,000
MSDWC 02-HQ A3 CMBS 6.5100% 04-15-34	10,000,000	10,102,400	10,250,000

7) Cancellation Process

In the event one or more transfer need to be cancelled or amended, the Managing Agent will need to send a notice of cancellation to both Citibank New York and Citibank Dublin via fax and email. Any new (replacement) instructions must be instructed separately. The original file should not be resent. Please contact Ann Flynn and Bill Mulrennin directly for assistance with specific cancellation

8) Securities eligibility

Securities in the US situs must be held by a US bookkeeping system (e.g. FED or DTC). However there are a small number of Euroclear securities which are fungible into DTC/ FED via a bridge 09 02 using JP morgan. If you want to check eligibility of a Euroclear to be moved to DTC/FED please contact William Mulrennin. Failure to do so will likely lead to an unsettled transaction

9) Authorised Signatories

The MIFT indemnities cover whom in the syndicate is allowed to authorise securities transfers. Please ensure that these are up-to-date and that signatures on the MIFT match signatures on the MIFT.

10) Deadlines

Citibank must be in receipt of the signed transfer instructions and emailed file no later than 3 business days prior to the settlement. Citibank will not accept late transfer instructions

11) Treatment of securities bought at different trade dates (original Trade Date field)

As securities are being transferred at Original Cost there is no capital gains immediately recognised on securities transfers. However in order for Citibank NY to be able to provide a true and correct tax calculation on securities delivered from the LDTF Original Trade date information must be provided, so tranches must be separated

The Lloyds US reporting tax package requires that all securities are moved using the FIFO convention. For Citibank purposes they will use instructed information, however you should ensure that FIFO is used when allocating original cost and trade dates. Please ensure you complete this correctly or the related tax calculations will be affected.

EXAMPLE 1 full holdings transfer for FIFO
Under FIFO system syndicate 0001 buys & sells "US gov disc inst 10/03/07"

Date	Nominal	Price	Original Cost	
Buy:				
	20/01/2005	1,500,000	99.42	1,491,300
	20/02/2005	3,000,000	102.50	3,075,000
And sells:				Market Value At Sale
	10/02/2005	(2,000,000)	101.19	(198,840.00)
	22/02/2006	(1,298,000.00)	102.00	(1,323,960.00)

Side note:
the resultant gain on the sale
-\$33,488.40

For transfer on the 23/2/06 therefore holdings are as follows	Nominal	Price	Market Value
	20/01/2005	200,000	102.20 204,400
	20/02/2005	3,000,000	102.20 3,066,000

And form should be completed as follows:

Security Description	Nominal (Original Face)	Original Cost	Estimated Market Value	Trade Date	Original Trade Date	Settlement Date
US Gov disc inst 10/03/07	200,000	198,840	204,400	20/02/2006	20/01/2005	23/02/2006
US Gov disc inst 10/03/07	3,000,000	3,075,000	3,066,000	20/02/2006	20/02/2005	23/02/2006

EXAMPLE 2 partial holdings transfer for FIFO

Same buys and sales but transfer of \$2m

And form should be completed as follows:

Security Description	Nominal (Original Face)	Original Cost	Estimated Market Value	Trade Date	Original Trade Date	Settlement Date
US Gov disc inst 10/03/07	200,000	198,840	204,400	20/02/2006	20/01/2005	23/02/2006
US Gov disc inst 10/03/07	1,800,000	1,845,000	1,83,960,000	20/02/2006	20/02/2005	23/02/2006