

# MARKET BULLETIN

REF: Y5016

<b>Title</b>	Coming into Line
<b>Purpose</b>	To inform Members' Agents and Direct Corporate Participant Members of the requirements for Coming into Line
<b>Type</b>	Event
<b>From</b>	Karen Oliver, Head of Market Services +44 (0)1634 392120 or <a href="mailto:karen.oliver@Lloyds.com">karen.oliver@Lloyds.com</a>
<b>Date</b>	22 August 2016
<b>Deadlines</b>	Friday 11 <sup>th</sup> November and Thursday 1 <sup>st</sup> December 2016
<b>Related links</b>	

## Purpose of bulletin

The purpose of this bulletin is to assist Members' Agents and Direct Corporate Participant Members (DCPs) in determining the documentation to be submitted to Market Services (MS) in order for member(s) to be considered "in line" for their 2017 Underwriting.

Members will be considered 'in line' only when new/additional Funds at Lloyd's (FAL) and all supporting documents are received and correctly completed.

Assets and/or documents must be with MS in Chatham by close of business (5pm) on the coming into line (CIL) deadline day, **Thursday 1<sup>st</sup> December 2016**. However, if the asset is a Letter of Credit (LOC) or Bank Guarantee (BG), this must be received together with the supporting documentation by **Friday 11<sup>th</sup> November 2016** (this new deadline has been set out within the current draft Membership and Underwriting Conditions and Requirements (M&UR's) consultation document).

The Members Agents Confirmation Form (M&UR's appendix 4) and the DCP members' equivalent (M&UR's appendix 5) should be submitted to MS, duly signed and completed by no later than **Friday 2<sup>nd</sup> December 2016**.

## Extension Fees

Failure to deliver the required and correctly completed documentation/assets by the CIL deadline may incur CIL extension fees of £212 per business day per £5m of FAL (or part thereof) which will be levied from the next working day after the CIL deadline. MS may apply discretion, in exceptional circumstances, to determine if an extension fee is payable.

### **CIL Extensions**

**CIL extensions will not be granted when new/additional FAL includes a BG and/or LOC.** If you are unable to meet the provision of BG/LOC deadline of **Friday 11<sup>th</sup> November 2016**, then an alternative asset must be provided by **Thursday 1<sup>st</sup> December 2016**, (the new deadline Friday 11<sup>th</sup> November 2016 has been set out within the current draft M&UR's consultation document).

CIL extensions involving other asset types will be given consideration upon receipt of a written request. Such request must include a full valid business reason for the delay.

For existing members, requests for CIL extensions to the deadline should be submitted in writing, to Anne Cooper ([anne.cooper@lloyds.com](mailto:anne.cooper@lloyds.com)), escalating to Mark Baker, Senior Manager, if necessary ([mark.baker@lloyds.com](mailto:mark.baker@lloyds.com)).

For new members, requests for CIL extensions to the deadline should be submitted in writing, to Angela Beckingham ([angela.beckingham@lloyds.com](mailto:angela.beckingham@lloyds.com)), escalating to Nikki Hopper, Senior Manager, if necessary ([nicola.hopper@lloyds.com](mailto:nicola.hopper@lloyds.com))

### **Documents/Assets required by CIL deadline**

It is assumed throughout this document that correct and valid documentation is provided. This includes the Members' Agent electronic instruction together with the Confirmation of Ownership document, or in the case of DCPs, a completed and signed Provision of Lloyd's Deposit form.

If MS believes that incorrect or incomplete documentation has been submitted the request will be rejected and the relevant member will be considered to be out of line until the correct documentation has been provided. The CIL monitoring fee will be levied effective from the next working day following the CIL deadline date until all correct documentation/assets are provided.

Any failure or omission will be recorded and made available to the FCA, if requested.

### **Deeds**

The relevant trust deeds must be held to support the assets. Details of the deeds held for each member or Third Party Depositor are available on TAROT, if you have such access, via the application DEEDTRCK or please contact your usual contact in MS who will be able to provide you with this information. Original deeds (completed, signed and witnessed) must be provided.

**Note 1 Witnessing Deeds** – Deeds should be witnessed by an independent person and not a family member. Where deeds received are witnessed by family members, you are requested to acquire a new suitably witnessed deed.

**Note 2 Dating of Deeds** – Deeds should not be dated. This will be done by MS at the time of sealing.

### **Tax Form**

Members will not be 'in line' unless the DECLARATION OF UK TAX RESIDENCY & STATUS OF BENEFICIAL OWNER FOR US TAX (the declaration) form has been correctly completed and signed by the member and submitted to their members' agent by the **31<sup>st</sup> October 2016**, (**2nd December 2016** for DCPs).

If the member certifies on the Declaration that a valid W-8BEN, W-8BEN-E, W8-IMY or W9 as relevant is in place and that is not the case, this will invalidate the declaration and the member will not be in line.

Assets can only be accepted into FAL once Lloyd's are in receipt of a correctly completed W9/W8 series form and/or LOB form and withholding statement, where applicable. For new members/depositors the appropriate tax form must accompany the Stage I application. For existing members/depositors where an existing tax form is not valid, has expired or will expire on 31<sup>st</sup> December 2016, the appropriate W9/W8 series forms must be received by our Taxation Department by **30<sup>th</sup> September 2016**.

W9/W8 series forms that are incorrectly completed and/or do not include all necessary accompanying attachments are not valid documents.

Members/depositors are also reminded that where there has been a change of controller or partner, change of name, or a death of the member, LLP or SLP partner or capital provider, the existing W9/W8 series form will only be valid for 30 days post change and a new W9/W8 series form must be provided for the member to be correctly documented for CIL.

Queries in relation to tax forms should be sent to the following mailbox:  
[Lloyds-Tax-Operations@lloyds.com](mailto:Lloyds-Tax-Operations@lloyds.com)

### **Third Party Assets**

Any assets provided by another party that is not the member are classified as third party assets and the provider (third party FAL provider (TPFP)) of those assets is required to be approved by MS prior to the submission of the assets into the respective member's FAL. This includes companies within the same group structure. The deadline for the submission of an application for the approval of a TPFP, via the CM210 form, is **31<sup>st</sup> October** of any given year. Any assets being provided by a TPFP for CIL purposes must be in place by the CIL deadline but those assets will not be accepted into a member's FAL until the TPFP has been approved by Lloyd's MS. Where cash is received prior to this approval, it will be returned to the remitter.

In addition, each provision of TP FAL must be accompanied by a Confirmation of Ownership letter. For DCP members, the wording from this letter is incorporated into the Provision of Lloyd's Deposit form and a separate letter is not required.

**Note 1** – Third party assets cannot be held in PRF.

**Note 2** - Third party assets cannot be made Interavailable, except for LLPs/SLPs where prior permission has been given.

### **Acceptability**

The CIL deadline also applies in respect of acceptable assets. It is important that you have checked the acceptability of the assets before submission to MS. Reference should be made to the M&URs and requests should be sent to the following mailbox: [acceptabilities@lloyds.com](mailto:acceptabilities@lloyds.com)

### **Cash**

Cash funds must be sent electronically and received in the Lloyd's trust accounts by the CIL deadline. Cash must be sent from a bank account in the name of the member (or in the case of third party assets, from a bank account in the name of the third party (depositor)).

All payments must quote the member's name and/or membership code so that the payment can be identified and credited to the correct member without delay.

If MS is unable to identify who the payment is for then the payment will be rejected and any bank charges will be met by the remitter of the monies.

For any payments identified as coming from a joint bank account, i.e. the member and A N Other, ID documents will be required in respect of the second party on the bank account. Acceptable ID documents are detailed on Appendix 1 of this bulletin. Cash from joint bank accounts will not be acceptable with effect from 1<sup>st</sup> January 2018 when all members are required to have their own UK bank accounts in the sole name of the member.

It should also be noted that for any Members holding Euro's within their FAL, a charge is being introduced by the Bank which MS will pass on to Members.

### **Bank Guarantees/Letters of Credit**

An original document using Lloyd's standard wording must be provided by the CIL deadline of **Friday 11<sup>th</sup> November 2016** (this new deadline has been set out within the current draft M&UR's consultation document) and the Members' Agent/DCP must be satisfied that it is correct at face value. Fax or scanned copies are not acceptable and the member will be deemed out of line. For BGs, the financial institution must complete the following:

- The date at the top of the BG
- Bank details – name and address
- Member name
- Amount

The document must be signed or sealed as appropriate.

**Note 1 Member FAL** - where a new BG/LOC is being provided for the first time a new STD is also required.

**Note 2 Interavailable LOCs** - a copy letter from the member to the bank in Lloyd's standard letter confirming that the LOC is being made interavailable must also be provided.

**Note 3 Original Document** – An original document constitutes a new BG, new LOC or LOC side letter (reducing or increasing the original LOC) – please see Appendix 2 (new LOC) and Appendix 3 (LOC side letter). The wording is non-negotiable and must not be amended.

**Note 4 Notice of Cancellation** – Where a BG/LOC has a notice of cancellation attached to it, it is the Members' Agents/DCP's responsibility to ensure that this is either removed or the BG/LOC extended to allow it to cover their underwriting commitments.

Members Agents/DCP's are also reminded that, under the Solvency II tiering test requirements (Market Bulletin Y4984 05/04/2016), if coverage becomes marginal then Lloyd's will apply a policy of 'rationing' the availability of LOCs/BG's, which means that members may have to rationalise their holdings and be unable to hold 100% of their FAL in these assets.

In addition attention is drawn to the revised M&UR's (currently out for consultation) section 7.3 which state;

- Assets in the form listed in paragraphs 5 and 6 of Part 1 of Appendix 3 (letters of credit and guarantees) may not be submitted into a member's funds at Lloyd's after the cut-off date, nor

may any changes be made after the cut-off date (see below) to the amount of any letter of credit, guarantee, approved covenant and approved charge or life assurance policy already comprising a member's funds at Lloyd's.

This new provision is required to give effect to Lloyd's Ancillary Own Funds (AOF) obligations under Solvency II. As letters of credit and guarantees are treated as AOF, their use requires PRA approval – accordingly, the composition of such assets in members' FAL must be finalised before CIL in order that Lloyd's can submit an application to the PRA in accordance with its timetable. The deadline (see below) applies both to new assets of this type, as well to changes in the value of such an asset (including for this purpose FAL in the form of life assurance policy or an existing Covenant & Charge arrangement).

(Cut-off date meaning (i) in relation to the coming into line date, [12] November, or (ii) in relation to the mid-year coming into line date, [19] May).

The tighter timetable for lodging LOC's and potential final agreement of syndicate ECA's 100% supported by dedicated capital should be considered by members when arranging funding for 2017 underwriting. Lloyd's would strongly encourage members to build in flexibility to their capital planning to allow for late changes in amounts. Lloyd's will respond promptly and be flexible in releasing early when surplus assets are deposited as a precautionary measure in advance of ECA's.

### **Securities**

All securities must be beneficially owned by the member and in their sole name (or in the case of third party assets these must be owned by the third party in their sole name). Confirmation of ownership must be given with the file instruction.

### **Certificated holdings**

A duly completed and signed stock transfer form and a CREST transfer form for UK Equities and Gilts, plus valid certificate must be delivered to Chatham by the CIL deadline.

For certificated foreign securities, a duly completed transfer form and certificate must be delivered to Chatham by the CIL deadline. Members' Agents/DCPs should consider the requirements for each market and it would be advisable to seek confirmation from the registrar on what documentation is required, prior to submission to Lloyd's.

If the holding is within a shareplan or investment plan the member should arrange for the holding to be transferred from the plan and certificated into their name prior to any transfer to FAL.

### **Electronic holdings**

Instructions to transfer holdings electronically must be received by the CIL deadline. The instruction should include a contact name and telephone number of the broker/custodian arranging the transfer who the Member/Depositor/Members' agent has been in contact with to ensure there will be no delays with the transfer. If Market Services experience any delays with the broker/custodian who are not in a position to arrange the transfer, the Members' Agent/DCP will be notified and CIL extension fees may be payable.

**Note 1 PRF assets** - SLPs/LLPs cannot hold any assets in the PRF.

**Note 2 Uncertificated Unit Trust holdings** - a completed stock transfer form is required with the relevant statement or Account number of the holding.

**Collective Investment Schemes (incl. Unit Trusts)(CIS)**

For an acceptable CIS to be considered as forming part of a member's FAL, the documentation to effect the transfer into the name of Lloyd's (as Trustee) must be with MS no later than 30 days prior to the CIL deadline date.

The deadline for **all** securities to be registered and settled into a member's FAL is **Thursday 15<sup>th</sup> December 2016**. If the settlement will not meet this deadline it will be necessary for alternative assets to be provided to satisfy the CIL requirements.

**National Savings Certificates**

The certificate and a completed signed transfer form must be with MS no later than 30 days prior to the CIL deadline date. This deadline is necessary due to the National Savings and Investment office service standards to complete a transfer.

If the transfer has not been affected by the CIL deadline date then the member must provide alternative acceptable assets to Lloyd's to be placed into their FAL no later than **Thursday 15<sup>th</sup> December 2016**.

In the event of any queries please liaise with your usual MS contact in the first instance or thereafter MS Compliance Manager, Angela Beckingham (01634 392083, [angela.beckingham@lloyds.com](mailto:angela.beckingham@lloyds.com)) or Custody Services Manager, Anne Cooper (01634 392576, [anne.cooper@Lloyds.com](mailto:anne.cooper@Lloyds.com)) if necessary.

### ID & Address Verification Documents

In the case of documentary evidence, the **below Government-issued** (valid) **ID documents** are deemed acceptable (either original or originally-certified copy):

- Passport
- Photocard Driving Licence (full or provisional)
- National Identity Card
- Firearms Certificate / Shotgun Licence

In addition, below is a list of acceptable **Address verification documents** (either original or originally-certified copy):

- Driving Licence (if not used previously for ID verification)
- Bank Statement\* (UK, EU or equivalent jurisdiction regulated financial institution – **not an internet-printed statement**)
- Utility Bill\*
- Council tax statement or tax demand letter
- Instrument of a Court appointment (liquidator or grant of probate)

*\* To be dated within the last 3 months from date of receipt.*

### Document Certification

Where the above document(s) is/are certified, please provide the original 'wet ink' certified document, detailing the certifiers':

- Signature;
- Full name;
- Occupation;
- Company name & Address;
- Contact number; and
- Certification date.

Certification should not have been conducted any later than **3 months** from the date of receipt by Lloyd's.

### Certification Wording:

Where certified documents are provided, please ensure the following certification wording is used: *"Certified to be a true copy of the original seen by me, and where the document bears a photograph, is a true likeness to the holder"*

### Appropriate Certifiers

Below is a list of individuals' deemed acceptable to Lloyd's for the purposes of certifying the above documents:

- |   |                       |
|---|-----------------------|
| • Bank or Building Society Official             | • Councillor          |
| • Dentist                                       | • Police Officer      |
| • Solicitor                                     | • Teacher or Lecturer |
| • Lawyer  | • Accountant          |
| • Government Official                           | • Doctor              |
| • Financial Conduct Authority Registered Person |                       |

**IRREVOCABLE STANDBY LETTER OF CREDIT – CORPORATE MEMBER**

TO BE USED FOR LLOYD'S DEPOSITS

(See page 4 for notes on completion of the standby letter of credit)

To: The Society and Council of Lloyd's  
c/o The Manager, Market Services  
Fidentia House,  
Walter Burke Way,  
Chatham,  
Kent ME4 4RN

Gentlemen,

**IRREVOCABLE STANDBY LETTER OF CREDIT NO. (1)**

**RE: [Insert name of corporate member of Lloyd's] ("the Applicant")**

We are pleased to inform you that by order of the Applicant we (2) ("the Issuing Bank") have opened our Irrevocable Credit No. (1) in your favour for a sum not to exceed the aggregate of (3) effective from (4) ("the Commencement Date"). This Letter of Credit will expire on the Final Expiration Date.

This Letter of Credit shall remain in force until we give you not less than four years notice in writing terminating the same on the fourth anniversary of the Commencement Date or on any date subsequent thereto as specified in such notice ("the Final Expiration Date"), our notice to be sent by registered mail for the attention of the Manager, Market Services, at the above address.

All charges are for the Applicant's account.

Funds under this Letter of Credit are available to you in London upon presentation of your sight draft(s) drawn on us at the above address, our London Office or the London Branch of the Confirming Bank, mentioning the Issuing Bank's Credit No. (1) and name (2) and the London Office or Confirming Bank's reference as applicable.

This Letter of Credit is subject to The International Standby Practices – ISP98 (1998 publication - International Chamber of Commerce Publication No 590).

This Letter of Credit shall be governed by and interpreted in accordance with English Law and we hereby irrevocably submit to the jurisdiction of the High Court of Justice in England.

We hereby engage with you that we will honour draft(s) drawn under and in compliance with the terms and conditions of this Letter of Credit.

Authorised Signatory

Authorised Signatory



To be completed by Confirming Bank where applicable

We, (5), hereby confirm the above-mentioned Letter of Credit and thereby engage with you that we will honour all draft(s) drawn under and in accordance with the terms and conditions of Letter of Credit No. (1) of (2) at our London Office.

This Confirmation shall remain in force until we, the Confirming Bank, give you not less than four years notice in writing stating that our confirmation will terminate on the fourth anniversary of the Commencement Date of the Letter of Credit or on any date subsequent thereto as specified in such notice, our notice to be sent by registered mail for the attention of the Manager, Market Services, at the above address. In circumstances where our Confirmation has terminated but the Letter of Credit remains in force, the Letter of Credit shall be advised by us without engagement or responsibility on our part.

The Letter of Credit shall be governed by and interpreted in accordance with English Law and we hereby irrevocably submit to the jurisdiction of the High Court of Justice in England.

Kindly address all correspondence regarding the Letter of Credit for the attention of ..... (DEPARTMENT) mentioning specifically our reference number .....(INSERT NO.)

Authorised Signatory

Authorised Signatory

**Notes for Completion of the Standby Letter of Credit (CM 50A)**

A standby letter of credit, to be eligible for inclusion in a corporate member's funds at Lloyd's, must have been issued by an authorised credit institution approved by the Council of Lloyd's for the purpose of providing letters of credit or guarantees for such purpose.

The standby letter of credit must be completed on the letter headed paper with the London address of:-

- (a) In the case of a confirmed letter of credit, the confirming credit institution ("Confirming Bank"); and
- (b) In any other case, the issuing credit institution ("Issuing Bank").

The standby letter of credit must be payable in London at the counters of the Issuing Bank, the London Office of the Issuing Bank or the Confirming Bank.

- (1) Insert number of letter of credit.
- (2) Insert the name of the issuing credit institution.
- (3) Insert the amount of the letter of credit in words and figures.
- (4) Insert commencement date.
- (5) Insert the name of the confirming credit institution.

**SIDE LETTER AMENDING LETTER OF CREDIT<sup>1</sup>**

To: The Society and Council of Lloyd's  
C/o Manager, Market Services  
Fidentia House, Walter Burke Way  
Chatham, Kent ME4 4RN

[Date]

**Amendment to Irrevocable Standby Letter of Credit No. [insert number]  
Re: [insert name of Corporate Member] ("the Applicant")**

Gentlemen,

We refer to our irrevocable standby letter of credit no. [insert number] dated [insert date] for a current value of [insert current amount] ("the Letter of Credit") issued in your favour by order of the Applicant.

By order of the Applicant we, [insert name of issuing bank/credit institution] have agreed to amend the Letter of Credit by [increasing][decreasing]<sup>2</sup> the amount of the Letter of Credit by [insert amount] from [insert current amount] to [insert new increased/decreased amount].

[The words "not to exceed the aggregate of [insert current amount] effective from [insert date] ("the Commencement Date")" are hereby deleted from the first paragraph of the Letter of Credit and the words "not to exceed the aggregate of [insert new increased/decreased amount] effective from [insert date]" are hereby substituted. Further, the words "the Commencement Date" are hereby deleted from the second paragraph of the Letter of Credit and the words "[specify the initial commencement date]" are hereby substituted.]<sup>3</sup>

[The words "not to exceed the aggregate of [insert current amount] effective from [insert date]" are hereby deleted from the first paragraph of the Letter of Credit and the words "not to exceed the aggregate of [insert new increased/decreased amount] effective from [insert date]" are hereby substituted.]<sup>4</sup>

All other terms and conditions of the Letter of Credit remain unchanged. The Letter of Credit as hereby amended is subject to The International Standby Practices – ISP 98 (1998 publication) International Chamber of Commerce Publication No. 590.

<sup>1</sup> Dates, amounts and numbers to be inserted where indicated in italics between square brackets.

<sup>2</sup> Delete as applicable.

<sup>3</sup> Use where the letter of credit is being amended for the first time and the concept of the "Commencement Date" is to be deleted.

<sup>4</sup> Use where there has been a previous amendment to the letter of credit and the concept of "Commencement Date" has already been deleted in a previous amendment.

The amendments to the Letter of Credit set out herein shall take effect from *[insert date]*. We would be grateful if you would confirm your agreement to the amendments to the Letter of Credit by signing and dating the attached copy letter and returning it to us.

This letter shall be governed by and construed in accordance with English law and we hereby irrevocably submit to the jurisdiction of the High Court of Justice in England.

Yours faithfully

.....  
Authorised Signatory  
*[insert name of issuing bank/credit institution]*

Dated: .....

**To be completed by Confirming Bank where applicable<sup>5</sup>**

We, *[insert name of confirming bank]*, hereby confirm the above-mentioned Letter of Credit as amended above.

.....  
Authorised Signatory  
*[insert name of confirming bank]*

Dated: .....

We hereby acknowledge and agree to the amendments to the Letter of Credit set out above.

.....  
Authorised Signatory  
The Society of Lloyd's

Dated: .....

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<sup>5</sup> If there is a confirming bank, that bank must also consent to the amendments