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# Lloyd's Minimum Standards MS10 – Regulatory

January 2021

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## MS10 – Regulatory Standards

### Minimum Standards and Requirements

Lloyd's expects that managing agents will operate in compliance with all applicable UK and international laws and regulations and do business according to accepted ethical standards. This supports and protects Lloyd's globally recognised brand and reputation and enables Lloyd's to meet the expectation of UK and international regulators for regulated firms to be able to evidence compliant and ethical conduct. Managing agents should demonstrate that they can meet these expectations and have systems and controls to ensure that they:

- Conduct all discussions with regulators in an open and cooperative manner, recognising the need for Lloyd's to coordinate such relationships with international regulators and be kept abreast of significant or non-routine interactions with the UK regulators;
- Do business in accordance with Lloyd's UK and international licensing permissions and with due regard to applicable laws and regulations;
- Have due regard to business conduct standards and embedding principles of integrity and fairness in all dealings with customers;
- Implement all applicable laws and regulations appropriately;
- Gather accurate data and undertake appropriate analysis on the firm's business;
- Make accurate and timely submissions including regulatory returns, information requests and responses to consultations: and
- Comply with legislation concerning international sanctions and terrorist financing, anti-money laundering, anti-bribery and corruption, market abuse/insider dealing, and facilitation of UK tax evasion and foreign tax evasion.

Within this document the standards and supporting requirements (the "must dos" to meet the standard) are set out in the blue box at the beginning of each section. The remainder of each section consists of guidance which explains the standards and requirements in more detail and gives examples of approaches that managing agents may adopt to meet them.

### Guidance

This guidance provides a more detailed explanation of the general level of performance expected. They are a starting point against which each managing agent can compare its current practices to assist in understanding relative levels of performance. This guidance is intended to provide reassurance to managing agents as to approaches which would certainly meet the Minimum Standards and comply with the Requirements. However, it is appreciated that there are other options which could deliver performance at or above the minimum level and it may be acceptable for managing agents to adopt alternative procedures as long as they can demonstrate the Requirements of all Lloyd's Minimum Standards have been met.

### Definitions

**Lloyd's leader (underwriting)** – the first or only Lloyd's syndicate on a slip/contract and/or a syndicate that has authority to bind other syndicates to a risk.

**Follower** – a syndicate participating on a risk other than the Lloyd's Leader.

- **Lloyd's Trading Advice Tools** – Online tools available to Lloyd's market participants (e.g. Risk Locator Tool, Crystal, Binding Authority QA Tool, Open Market QA Tools) which facilitate determinations of: risk location, international regulatory and taxation requirements, and contract quality requirements.
- **The Board** - Where reference is made to the board in the standards, managing agents should read this as the board or an appropriately authorised committee. In line with this, each agent should consider the matters reserved for the board under the Governance Standard in order to evidence appropriate full board discussion and challenge on the material items.

## Section 1: Relationship with Regulators

### REG 1.1 - Relationship with regulators

Managing agents shall conduct all discussions with regulators in an open and cooperative manner, recognising the need for Lloyd's to coordinate such relationships with international regulators and be kept abreast of significant or non-routine interactions with the UK regulators.

Managing agents shall:

- have an open and cooperative relationship with UK and international regulators;
- consult Lloyd's before engaging with international regulators and advise Lloyd's promptly of significant and/or non-routine interactions with UK regulators including the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and the Information Commissioner's Office (ICO), or International Regulators;
- ensure they resolve regulatory issues and respond to regulatory requests within a reasonable time and support Lloyd's in its management of both; and
- inform Lloyd's promptly about any issue of which Lloyd's would reasonably expect notice, including, but not limited to, issues which may generate complaints, receive regulatory or significant press attention, concern the misuse or potential misuse of Lloyd's name or brand or undermine the confidence in and/or integrity of the Lloyd's Market.

### Regulatory interactions

The maintenance of Lloyd's licences worldwide rests on UK and international regulators having confidence in the Market being able to trade in a compliant manner. This requires significant relationship building by Lloyd's to assure regulators that its unique structure strengthens rather than diminishes that compliant behaviour. Part of this is ensuring that communication with regulators is conducted in a consistent way and with reference to the context of other discussions that may have taken place. In this, the cooperation of managing agents is crucial.

Lloyd's expects managing agents to consult in advance and work together with Lloyd's if the need to engage with international regulators arises. This is important in supporting Lloyd's management of its international licences and trading rights.

In instances where managing agents are contacted by an international regulator or if managing agents are aware of an issue of which Lloyd's or an international regulator would reasonably expect notice, they should promptly contact their supervisor at Lloyd's. Alternatively, managing agents can contact:

- the Lloyd's International Trading Advice team (LITA@Lloyds.com; +44 (0)20 7327 6677) for further information on the appropriate contact point at Lloyd's; or
- the Lloyd's country manager – where there is one.

Lloyd's acknowledges that managing agents will have interactions with UK regulators routinely and does not expect to be advised of such interactions as a matter of course. However, Lloyd's does expect the Standard to apply to significant and/or non-routine interactions with UK regulators.

## Section 2: Licensing and Market Access

### REG 2.1 - Licensing and Market Access

Managing agents shall conduct business in accordance with Lloyd's UK and international licensing permissions and with due regard to applicable laws and regulations.

Managing agents shall:

- set, and review regularly, clear underwriting guidance as to what business can be written in accordance with regulatory requirements under Lloyd's licences, including requirements for Leaders to undertake pre-bind contract reviews, including checks on contract certainty and other regulatory and advisory rules, making reference to Lloyd's Trading Advice Tools;
- demonstrate and use appropriate levels of knowledge and skill in relation to Lloyd's licences and those areas where restrictions or exceptional processes apply; and
- establish, and review regularly, clear escalation procedures and criteria, for use in underwriting decisions or where a potential breach is identified once a risk is bound

### Underwriting guidance

Lloyd's takes very seriously the need to protect the Market's licence platform by ensuring business is undertaken in a compliant manner and seeks to encourage a compliance culture within the Lloyd's market based upon the proactive management of regulatory risk. To that end, managing agents should have a regulatory risk appetite statement, which has been considered by the board and is reflected in the business' underwriting guidance and regulatory compliance strategy.

Additionally, managing agents' underwriting guidance should include a requirement that underwriters and agents undertake appropriate risk based due diligence, such as the use of the Lloyd's Trading Advice Tools, prior to a risk being bound in order to confirm compliance with Lloyd's trading rights and local law.

Leaders are expected to conduct a pre-bind contract review on all risks. This is important to ensure contract certainty for all customers, ensure that coverage meets regulatory requirements and reduce the cost of unnecessary policy reissue later in the process.

Whilst Leaders are required to conduct a pre-bind contract review on all risks, it is perfectly acceptable for the level of review to differ depending on the features of the risk. For example, some risks may only require a review of the schedules on standard policy forms and others such as those which are material, complex, new or non-standard will require a more in-depth review by suitably experienced personnel.

Managing agents should consider how they can evidence the decisions taken as a result of such guidance, and what the review and assurance procedures and responsibilities are around adherence to and the effectiveness of the guidance.

Managing Agents should refer to Lloyd's Minimum Standard – MS2 Underwriting and Controls - UWC 1.1 Underwriting & Controls Framework: Pre-Bind Contract Review, and Minimum Standard – MS9 Customer - CS 8.4 Contractual terms & service level expectations for further information.

### Building regulatory expertise

All those carrying on insurance business should do so equipped with appropriate levels of knowledge of regulatory requirements and access to appropriate sources of information. Managing agents should provide regular appropriate training and guidance to their staff reflecting the role of the individual and updated to reflect regulatory changes.

Managing agents bear responsibility for providing clear guidance to relevant employees, representatives and agents to ensure a clear understanding of regulatory compliance requirements. The guidance should encourage the use of the Lloyd's Trading Advice Tools and other regulatory information resources. Managing agents should verify that all relevant employees, representatives and agents have appropriate knowledge regarding the use of Lloyd's tools and other sources of regulatory information and assess their training needs regularly.

Support for training on the use of Lloyd's Trading Advice Tools is available from the Lloyd's International Trading Advice Team (LITA).

### **Escalation and compliance procedures**

Managing agents should adopt clear procedures for identifying and escalating cases where more detailed compliance scrutiny is required.

Procedures should be risk based and consider the need to escalate before a risk is bound and for cases where a potential breach of regulatory requirements is identified.

Escalation procedures should be documented, available to all relevant staff, and reviewed on a regular basis.

The procedures should cover the following:

Who is responsible for escalating a case, and who to?

What are the criteria for escalation? These might include, for example, the following factors:

- the sensitivity of the business class involved;
- the complexity of the business or policy;
- the location of the risk;
- the expertise or vulnerability of the customer;
- the regulatory environment of the country concerned;
- the distribution mechanism for the product (for example, a master policy);
- the compliance capability of any party to whom underwriting authority is delegated; and
- the managing agent's own risk appetite and expertise.

What are the review and assurance processes and responsibilities around adherence to and the effectiveness of the procedures?

Who has the authority to stop a risk being bound?

## Section 3: Information and Reporting

### REG 3.1 - Information and Reporting

Managing agents shall gather accurate data, on the firm's business and make accurate and timely submissions.

Managing agents shall:

- be transparent in meeting their reporting requirements, supplying necessary information about their business, and be responsive to deadlines and communications about prudential and regulatory information;
- have appropriate systems, processes and controls to ensure that complete, accurate and timely information is available to meet Lloyd's prudential and regulatory obligations, including those operated by others on its behalf.

Lloyd's has international prudential reporting obligations imposed by the relevant regulatory authority in most overseas territories where Lloyd's is licensed.

#### Stakeholder interaction

Managing agents should inform Lloyd's immediately if there is, or may be, an issue impacting the completeness, accuracy or timeliness of Lloyd's reporting.

Where managing agents are approached directly by regulators or other relevant bodies or wish to initiate direct communication regarding data, reporting or funding issues, Lloyd's expects that this will be discussed and agreed with Lloyd's first. Contact can be made per Reg 1.1.

#### Systems, processes and controls

Systems, processes and controls should be commensurate with the risk, appropriately documented, adequately understood by all appropriate staff, robust, reviewed regularly and provide managing agents with the ability to answer targeted questions concerning information and reporting adequately.

These should consider the following:

How to ensure effective planning execution, control and monitoring?

What are the review and assurance procedures and responsibilities around adherence to and the effectiveness of the systems, processes and controls?

How to ensure timely, complete and accurate delivery of information from stakeholders?

How to ensure that all relevant staff maintain an up to date understanding of regulatory requirements and expectations?



## **REG 3.2 - Prudential funding and asset requirements**

Managing agents must ensure that they have appropriate systems, controls and processes in place so that:

- Assets are admissible in compliance with local requirements as well as UK requirements;
- All terms of the relevant trust deeds are complied with; and
- Funds are available to meet funding requirements when such funding requirements fall due.

### **Prudential and asset requirements**

Managing agents should have the necessary processes, systems and controls to ensure that local funding requirements are met in each of the jurisdictions where capital funds are required to be held. That they ensure that the funds held are compliant with the in-force requirements particular to that territory. This may require that they ensure that they monitor any changes that may occur in these requirements from funding period to funding period, and if necessary, engage with the Corporation to ensure these requirements are met at all times.

## Section 4: Financial Crime

### REG 4.1 - Financial Crime

To mitigate against financial crime breaches, managing agents shall comply with all applicable financial crime legislation, including: international sanctions; anti-money laundering and counter terrorist financing; anti-bribery and corruption; fraud; market abuse / insider dealing; and facilitation of UK tax evasion and foreign tax evasion.

Managing agents shall:

- ensure that risk assessments identify key areas of financial crime risk in compliance with all applicable financial crime legislation, paying due regard to Lloyd's and any other relevant regulatory guidance;
- have systems and controls in place to identify and manage effectively all financial crime risks identified in their risk assessment, including risks arising from delegated underwriting;
- ensure that the above-mentioned systems and controls are independently assessed and tested for effectiveness at an appropriate frequency;
- ensure that their financial crime procedures set out the approach to be undertaken when the managing agent is a lead or claims agreement party, as well as where the managing agent acts in a follow capacity;
- ensure there is a clear allocation of responsibilities in the first and second line for monitoring compliance;
- ensure there is appropriate oversight and escalation;
- ensure staff receive appropriate training on the relevant legislation, regulation and on the managing agent's policies and procedures; and
- deal with Lloyd's, regulators and law enforcement agencies in an open, responsive and cooperative way, supporting the resolution of financial crime concerns and issues.

### Financial Crime risk framework

Managing agents should be able to evidence an effective financial crime risk management framework that is underpinned by six key components: governance, risk assessment, systems and controls, reporting, monitoring and testing, and training.

#### Governance

The financial crime risk management framework should be supported and endorsed by each managing agent's board or a committee with the required delegation of authority, reflecting leadership and the 'tone from the top'. Managing agents should review Minimum Standard 4 - Governance [GOV 3.7 Matters reserved for full Board review] which explains matters that require full board involvement including the control framework. Managing agents should be able to demonstrate how the full board is involved in its financial crime risk management and where issues have been delegated to another committee that this delegation is appropriate given the nature and materiality of the issue or risk.

Lloyd's does not prescribe the structure for who has decision making responsibility for different areas of financial crime, as this could be the responsibility of one department or spread across many. However, managing agents should ensure that responsibility for financial crime management is clear and well documented, particularly for roles and functions which have specific obligations under the UK Financial Conduct Authority's (FCA) regulations, the Senior Managers and Certification Regime (SM&CR) and any other applicable local regulation where the managing agent operates.

Senior management is expected to take responsibility for fostering a culture of compliance. There should be clear commitment from senior management, with evidence of proactive engagement in the management of financial crime risk including the setting of risk appetite statements, regular discussion, documented action plans and follow up on actions.

When determining responsibilities and escalation procedures, managing agents should consider whether there are any conflicts of interest and mitigate these where reasonably possible.

Escalation criteria should be clear and reporting lines should be known across the organisation. The escalation process should also include staff who possess the appropriate seniority and experience and can demonstrate accountability and recognition of the seriousness of breaches or violations.

Senior management should ensure that the compliance function has sufficient authority, autonomy and resources, and that compliance personnel have appropriate expertise, skills and technical knowledge. Compliance should have access to the firm's relevant records and be equipped to provide comprehensive management information (statistics and updates) to senior management. Management information should provide senior management with timely, reliable and relevant information to enable senior management to fulfil its role in identifying, measuring, managing and controlling risks of regulatory concern.

## **Risk Assessment**

The effective management of financial crime risk requires a comprehensive understanding of the managing agent's financial crime risks in order to inform decisions on how to mitigate such risks. A risk assessment can take many forms but ideally should adopt a holistic approach to establish a managing agent's risk profile in accordance with applicable financial crime legislation and regulation.

The risk assessment should be adequately resourced, with appropriate senior management oversight. It should be comprehensive and cover all departments (both internal and external) and consider and assess the managing agent's potential exposure to all financial crime legislation; international sanctions; anti-money laundering and counter terrorist financing; anti-bribery and corruption; fraud; market abuse / insider dealing; and facilitation of UK tax evasion and foreign tax evasion.

When conducting a risk assessment, managing agents should ensure that the factors considered in their assessment identifies how financial crime risk potentially materialises in their organisation, for example through the products and services it offers, jurisdictions it operates in, types of customer it attracts, complexity and volume of transactions and distribution channels to service customers. Financial crime risk could originate from many areas including but not limited to:

- Class of business – risks are likely to be different depending on whether business is insurance or reinsurance, and certain classes of business may present elevated financial crime risks such as the energy or marine sector where the type of client (usually companies rather than individuals) and the insured products and activities are more likely to create potential exposure to sanctions laws;
- Type of product – risks may materialise depending on whether there is exposure to particular activities, goods, trade or services which are subject to restrictions such as trade sanctions or export controls;
- Jurisdiction and territorial exposure – risks could arise as a result of the domicile of the insured, as well as the location of the risk(s) and other territorial exposures as a result of international operations or transactions being conducted in currencies other than sterling. Managing agents should assess whether jurisdiction and territorial exposure creates higher risk (for example countries that have been flagged on the [Corruption Perceptions Index](#) or territories subject to financial sanctions or trade controls);
- Distribution method or method of acceptance – managing agents should assess risk arising from the distribution method and method of placement, considering for example whether business is written through a delegated authority arrangement, open market, written through a line slip or whether the managing agent leads or follows. Risks should be assessed in all jurisdictions where the firm operates and across all business channels and distribution methods;
- Counterparty risk – risks can arise from the underlying insured and risks can be magnified if a transaction involves several counterparties who may be unknown at the time of binding a risk (for example in a marine policy, counterparties could include a ship owner, manager, operator, charterer and consignee). Managing agents may want to consider known and unknown associated parties such as suppliers, lenders, key controllers, and beneficial owners;
- Type of client – risk can vary depending on the client's operational structure (e.g., company or a natural person) and whether client's business or the client itself is more inherently exposed to financial crime regulation.

During the risk assessment, managing agents should define the level of financial crime risk they are willing to accept in a risk appetite statement (ideally for each of the six categories of financial crime). The residual risk ratings that result from the risk assessment should be benchmarked against the risk appetite statement. Any risk that exceeds the limits defined in the risk appetite statement, needs to be specifically risk-accepted or remedial action should be taken. Remedial action could range from ceasing specific activity or improving the controls so that the residual risk level drops to within an acceptable level as defined by the risk appetite statement.

A key output from the risk assessment should be the identification of the parts of the business which present the managing agent's greatest risks for each area of financial crime. This identification will then inform the systems and controls that are most appropriate to mitigate the risk.

There is no prescribed frequency for risk assessments, however it is good practice that managing agents conduct them frequently enough to ensure the continued alignment with changing financial crime regulations, shifting client populations, trends or event triggers. Additionally, there should be a process in place to track and periodically incorporate lessons learned (either from within the managing agent or from other entities within the market) and address any identified deficiencies found during routine business, testing or audit.

In practice, managing agents should ensure ongoing monitoring of regulations and trends such as alerts from the National Crime Agency, Financial Action Task Force Mutual Evaluations and typology reports, reports by non-governmental organisations, press reports, court judgements and commercial due diligence providers where appropriate. Managing agents are also expected to review Lloyd's guidance and, as appropriate, demonstrate how steps have been taken to align with guidance within a reasonable timeframe as and when it is issued.

## **Systems and controls**

Managing agents should have proportionate and risk-based systems and controls in place to effectively manage financial crime risks identified in their risk assessment. This risk-based approach is acceptable to the extent that is allowable under applicable legislation and regulation.

An integral part of the control framework is the anti-financial crime policies and procedures which should be documented, reviewed and enhanced as required. They should clearly outline expectations and set out how risks are to be handled, including when and how issues are escalated, reported, remediated and recorded. Policies generally state the overall risk appetite and risk mitigation processes, while procedures prescribe the detail of how systems and controls should operate.

Policies and procedures should be operationalised into the day-to-day business of the managing agent and should therefore be relevant, easy to follow and readily available to both internal business units and external parties where appropriate. Evidence of integration into daily operations could include dedicated personnel appointed to embed policies and procedures into business units and consultations/training with employees to ensure understanding.

Where managing agents rely on the activities or services of third parties to perform due diligence (e.g. sanctions screening on their behalf) they should ensure that this is reflected in full detail in the contractual arrangements with those parties. They should also ensure that the third party performs, and is accountable for, those activities and services to a high standard and no less a standard than would have been undertaken by the managing agent itself. Irrespective of any delegation of responsibility to a third party, managing agents remain ultimately accountable for adherence to applicable financial crime obligations. There should be evidence of managing agent oversight over their third parties and relevant financial crime risk controls. Due to the risk of cyber-enabled financial crime, managing agents should also review their financial crime controls regarding delegated authority risk in conjunction with Minimum Standard 11 – Cyber Resilience and Data Management [CDM 1.5 Cyber Third-Party Management]. This explains the approach for managing cyber risks associated with key suppliers and outsource providers.

Where information technology solutions have been adopted as part of a managing agent's internal controls, it is expected that the solution has been selected and calibrated in a manner that is appropriate to the managing agent's risk profile and that there are routine tests on the solution to ensure continued effectiveness.

In line with the iterative approach to conducting risk assessments, managing agents should also ensure that existing systems and controls continue to be effective over time. While there is no prescribed timeframe for review, where a weakness in internal controls has been identified (either during the course of business or during a review), managing agents should review their controls and consider how to remedy this and update their internal policies and procedures accordingly.

On a risk-based approach, managing agents should conduct appropriate levels of customer due diligence (CDD) when establishing or renewing a business relationship. The extent of the CDD checks required will depend on applicable legal requirements, and the level of risk posed by the business relationship or transaction – as informed by the managing agent's risk assessment which will have identified the higher risk transactions.

There is an expectation that a framework is in place and controls are embedded to mitigate the risk of the managing agent being engaged in or exposed to bribery and corruption or the facilitation of tax evasion. These should meet the test of 'reasonable procedures' under the applicable legislation, in order to protect the market's integrity and reputation from these illegal activities.

### **Lead/ Follow expectations**

Whether leading or following, managing agents are expected to comply with all applicable financial crime laws and regulations, and are also expected to comply with requirements specific to the Lloyd's market such as the General Underwriting Agreement (GUA) or the Single Claims Agreement Party (SCAP).

While minimum standards are largely identical for all managing agents, Lloyd's recognises that there is a distinction between lead and follow syndicates and, where appropriate, there may be variance in the requirements of a lead and the requirements of the follower.

Leaders are expected to have adequate systems and controls to ensure relevant financial crime risks are identified. This could include risk arising from UN, EU, UK or US trade or financial sanctions. Leaders should be aware that sanctions regulations are not uniformly applicable to all managing agents. This may result in a difference in the legal obligations and/or risk appetite of managing agents. Leaders should screen against UN, EU, UK and US sanctions lists and, where a positive sanction hit is identified, leaders should promptly provide followers with the information they require to perform their own checks in sufficient time.

Followers are required to assess what financial crime checks (including Anti-Money Laundering / anti-corruption / sanctions checks) have been performed in relation to the claim by the lead and perform such further checks as they deem necessary in a timely manner (via the broker, if required).

### **Reporting**

Managing agents are reminded to be aware of their responsibilities to report incidents to Lloyd's and the relevant UK competent authorities. This could include the National Crime Agency, the FCA and/ or HM Treasury's Office of Financial Sanctions Implementation (OFSI). Managing agents are also required to promptly report incidents to Lloyd's, where permissible.

Managing agents should have a process in place to report to OFSI immediately if there is a target match with an individual or entity on the UK Consolidated List. Reporting to OFSI should include; the information on which the suspicion is based, and any information held on the person or Designated Person by which they can be identified.

As soon as reasonably practicable, managing agents are expected to notify Lloyd's of any suspected, potential or actual violations and incidents of financial crime (including Suspicious Activity Reports (SARs) made to any regulator) which may impact the operational effectiveness or reputation of Lloyd's or the Lloyd's market.

Specific reporting requirements should be built into the managing agent's processes so there is clear understanding across the organisation of what instances are reportable and how to do so. Within this process, managing agents should ensure that there is a procedure which provides the ability for staff to report misconduct without fear of reprisal.

## Monitoring and testing

Managing agents should be able to evidence a risk framework which routinely tests, assesses and documents the appropriateness and effectiveness of their systems and controls to reduce the financial crime risks they face. It is expected that this should include independent assessment of such controls at an appropriate frequency e.g. an appropriately scoped review by the managing agent's Internal Audit function or an appropriately skilled third party.

Systems and controls should be subject to periodic monitoring (on a risk-based approach) to identify any weaknesses and deficiencies and allow for continued enhancement of controls.

Evidence of this could include ongoing monitoring of financial sanctions legislation, up to date understanding of risks arising from exposure to territories subject to sanctions or territories identified as higher risk for tax evasion, bribery or corruption; sample checks of due diligence/screening controls, ongoing monitoring of customer's profiles to ensure consistency and up to date information, and monitoring on use of appropriate exclusion or sanctions clauses.

Testing can be conducted on a specific aspect of the managing agent's financial crime framework, on a specific element of financial crime, or at enterprise-wide level. Outsourced arrangements, including those regarding sanctions compliance and those classified as Associated Persons for the facilitation of tax evasion and bribery and corruption purposes, should also be subject to regular monitoring with associated internal reporting. As part of this, managing agents should ensure that they have satisfied themselves that the systems and controls implemented by their coverholders to deliver contracted activities, are to a standard that would have been undertaken by the managing agent itself.

A managing agent's financial crime risk framework should be subject to an independent and objective audit, in line with expectations set out in Minimum Standard 4 - Governance. Where a deficiency or weakness has been identified by audit, there should be evidence of a prompt and effective action to identify and implement compensating controls until the root cause of the issue can be determined and remediated as appropriate.

## Training

Managing agents should ensure that policies and procedures are embedded through internal and external communication and training, proportionate to the risks. Internal communications should clearly convey the tone from the top, the practical implementation of the organisation's policies and procedures, and implications for employees. External communication of policies through statements or code of conduct is also important to ensure standards are consistently applied and can also reassure prospective associated parties.

While Lloyd's does not prescribe the frequency or form for the delivery of training, it is expected that there is clear accountability for regular and accessible training, that training will be tailored to the managing agent's risk profile and will outline what responsibilities employees have for compliance. Training should provide adequate information and instruction for employee and should also consider how this should be delivered to external stakeholders (for example to outsourced providers). Specifically, training should be clear about procedures for escalation and reporting.

Managing agents may wish to consider the following when designing a training programme;

- Content of the training – what is communicated out and how is this communicated;
- Audience for the training – who receives training and is training appropriately tailored for the audience;
- Role-specific training particularly for higher risk roles – is there sufficiently detailed training for specialised roles such as for underwriters who are performing pre-bind sanctions due diligence;
- Frequency and adequate completion rates – staff training should be provided promptly for new employees, repeated at appropriate intervals, and completion should be properly documented and recorded;
- Assessment of the effectiveness of training – how is the effectiveness of training assessed and when are training modules assessed and reviewed to ensure relevance and minimal knowledge gaps.

## **Reputation**

Lloyd's expects managing agents to give due consideration to policyholders and Lloyd's reputation when managing financial crime risks.

Managing agents are not only responsible for ensuring that they apply the financial crime and reputation requirements of the Minimum Standards but that such standards are also appropriately applied to any entities acting with delegated authority on their behalf or to which they materially outsource any activity.

Where the misuse or misrepresentation of Lloyd's name is identified by those acting on behalf of managing agents, or by their policyholders (including reinsureds), managing agents are expected to take robust steps to correct any misuse or misrepresentation of any coverage they have provided to Lloyd's satisfaction.

## Appendix – Links

- **Crystal**

<http://www.lloyds.com/the-market/tools-and-resources/tools-e-services/crystal>

- **Quality Assurance (QA) Tools**

<https://www.lloyds.com/tools-and-systems/quality-assurance-qa-tools>

- **Risk Locator Tool**

<https://www.lloyds.com/tools-and-systems/risk-locator>

- **Market Bulletins**

<https://www.lloyds.com/the-market/communications/market-bulletin-search/market-bulletins>

- **Compliance Officer E-Alert Archive**

<https://www.lloyds.com/market-resources/market-communications/regulatory-communications/compliance-officer-e-alert-archive>

- **Regulatory News Articles**

<https://www.lloyds.com/market-resources/market-communications/regulatory-communications/regulatory-communications>