**Guidance for Applicants**

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**Guidance for Applicants**

## **What is verification ?**

Verification refers to the process of substantiating/evidencing the identification information obtained about the applicant(s). Verification must be based on documents or electronic measures derived from reliable and independent sources.

The purpose of verification is to evidence that the information obtained during the gathering stage is true.

For individuals, examples of verification documentation could include:

* A government issued passport or identity card; or
* A report issued by an electronic verification provider.

For corporates, examples of verification documentation could include:

* A certificate of incorporation; or
* An extract from a company registry.

Lloyd’s requires verification documentation for all individuals who are considered owners and controllers.

##

## **Documentary evidence requirements**

### **Certification**

Certification refers to the process by which documents provided are true and accurate copies of the original.

All verification documentation provided must be original or copies which have been certified or notarised as being a true copy of the original and dated.

When a document is being certified as a copy of the original documentation it would need to meet the following requirements:

* Certification must be of original documents (it cannot be a copy of a copy);
* Photographs certified as copies of the original can be accepted as long as the person who took the photograph has certified it in line with the below and the certification on the original meets Lloyd’s requirements;
* Certified copies of faxes will not be accepted as Lloyd’s cannot confirm the original documentation;
* For new applicants certification of documents must be less than 3 months old, address verification documents must not be greater than 3 months old; and

Certifications of documents must detail the following as part of the certification by the certifier:

* Name of the certifier;
* Signature of the certifier;
* Job title of the certifier;
* Professional body membership the certifier is part of;
* Date of certification; and
* Suggested certification text “I hereby certify that this is a true and correct copy of the original document sighted by me”.

The certifier must meet Lloyd’s requirements regarding their professional status and role. Lloyd’s must have suitable evidence that the document has been certified correctly, as well as maintaining all documents for audit trail purposes. Evidence of the certifier’s professional standing may be e.g. Law Society screen print or proof of active ICAEW membership. The following are accepted to provide certification of documentation:

* Solicitor;
* Accountant;
* Notary; and
* FCA registered person.

The certifier must be independent and part of a professional membership body with professional/regulatory obligations e.g. qualified accountants, solicitors (including in-house qualified Accountant/Lawyer), where their membership can be checked by Lloyd’s back to a public source. You cannot certify your own documentation due to a conflict of interest (e.g. an accountant cannot certify their own passport).

### **E-Signatures**

In order to accept electronic signatures, these must be from an approved system, currently:

* Docusign,
* Adobe-sign,
* Universign
* Signable
* Nitro

This acceptance does not extend to scanned documents and only relates to electronically signed documents in which it is possible to evidence the audit trail (which must be provided) of the signature. If certified documents are provided via the Adobe-Sign system, this only allows for a named person. In order to review their certification credibility i.e. Solicitor details and any membership / registration details, these will need to be provided by way of an email/letter confirmation.

Alternatively, if you can provide a copy of the email(s) where the signed documents were shared by the certifier then Lloyd’s can use this as audit evidence rather than obtaining alternate execution (please note that these emails must be attached, **not** **forwarded**).

### **Foreign language documentation**

Where foreign language documents are received, a translation should be obtained from an appropriate professional translator, who should confirm their name, role and the date of translation.

# **Politically Exposed Persons (PEPs)**

A PEP is a senior individual who is or has at any point in the last 12 months (unless a former Head of State or Head of Government in which case there is no time limit), been entrusted with a prominent public function. The definition does not include those performing middle or junior ranking roles. All references to PEPs include both foreign and domestic PEPs. An individual entrusted with a prominent public function would include:

* Heads of state, heads of government, ministers and deputy or assistant ministers;
* Members of parliament or of similar legislative bodies;
* Members of the governing bodies of political parties;
* Members of supreme courts, of constitutional courts or of any judicial body the decisions of which are not subject to further appeal except in exceptional circumstances;
* Members of courts of auditors or of the boards of central banks;
* Ambassadors, charges d’affaires and high-ranking officers in the armed forces;
* Members of the administrative, management or supervisory bodies of State-owned enterprises;
and
* Directors, deputy directors and members of the board or equivalent function of an international
organisation.

Being a PEP does not necessarily incriminate individuals or entities (it is not illegal to be a PEP or do business with a PEP). However, the presence of a PEP, for example, as a member (including beneficial owners) may result in an increased level of financial crime risk.

### **Relatives and Close Associates (RCAs)**

Lloyd’s recognises individuals, who fall within the below descriptors of RCA’s as PEPs and therefore subject to the same requirements.

Relatives include:

* A spouse;
* A partner;
* Children and their spouses or partners;
* Brothers and sisters
* Siblings; and
* Parents (including in-laws where this can be ascertained).

Known Close Associates include:

* A person who is a joint beneficial owner of a legal entity with a PEP; and
* A person who is the sole beneficial owner of an arrangement set up for the benefit of a PEP.

### **PEPs who are Related Parties (excl. ultimate beneficial owners)**

Related Parties may include the Directors, Significant Controllers and Signatories associated with an entity.

### **PEPs who are Ultimate Beneficial Owners (UBO)**

PEPs who are UBOs may be considered to present a greater financial crime risk than other controlling individuals (e.g. Directors) due to factors such as their capital being invested in the corporate entity and having a greater power/control over the entity.

### **PEPs in State Owned Entities (SOEs)**

Where there is a relationship with a SOE, there is an increased likelihood that the related parties e.g. the directors, significant controllers, signatories will meet the definition of a PEP, however automatic application of PEP controls may not be applicable in all circumstances. Information about the SOE’s and relevant persons will be considered to allow a risk-based assessment to be made. This assessment will consider a number of factors, including the degree of state ownership.

# **Source of Wealth (SoW).**

SOW describes the economic activities that have generated the applicant(s) total net worth. It is not limited to the funds placed at Lloyd’s.

SoW includes all the means by which the Applicant(s) assets have been acquired and requires consideration of past activity. The purpose of obtaining SoW information is for Lloyd’s to assess the wealth generating activities.

The following sets out a non-exhaustive list of categories of SoW:

* **Family/Generational Wealth and Personal Backgrounds** - This can include family wealth, inheritance, gifts (from family, including spouse/partner), divorce settlement, lawsuit settlement, pension or retirement benefit scheme pay-outs. SoW could also include lottery wins, sales of residential properties, antiques, artwork and other personal assets, depending on unique personal circumstances. Where appropriate, information should be provided on underlying activities that have generated the wealth.
* **Income, Revenue and Business Activities** - This can include business ownership, business operations, employment, sales of products, business properties and other commercial assets. For natural persons, examples include salaries, bonuses, commissions and other compensation from employment or contract work, as well as regular income from pension or retirement schemes. For entities, examples include profits generated from activities (such as sales of goods or services), receivables, contracts, existing fixed assets and any periodic funding from existing or new beneficial owners.
* **Investment Activities** – This can include income from acquisition and sale of investments, e.g. from real estate, securities, royalties, patents, inventions and franchises

Lloyd’s requires identification of the SoW for all Business Relationships **but** to identify **and** verify the SoW for **all** high risk Business Relationships. For corporate clients, Lloyd’s will need to understand the nature and origin of initial capital investments, additional capital invested and profits from ongoing trading or investment activities.

SoW information can be assessed using public domain information for large corporate entities and financial institutions. For smaller and newly set up private companies, the information may not be apparent in the public domain, but Lloyd’s must be able to identify and verify the Beneficial Owner SoW.

Lloyd’s is required to:

* Identify (and verify when high risk) the initial SoW at the time of on boarding, and if at any point in the relationship the SoW changes, there is also a requirement to record the changes and verify the new SoW; and

A non-exhaustive list of SoW categories and acceptable information and documentation sources are contained in the below table:

|  |  |  |
| --- | --- | --- |
| **Categories of Sources of Wealth** | **IdentifyExamples of Information** | **VerifySources of evidence** |
| **Savings fromemployment income** | • Annual income and bonusesthis year and the previousyear.• Nature of employer’sbusiness, employers nameand location. | • Past payslips.• Confirmation from employer of income and bonuses forprevious earnings.• Bank statements detailingsalary into account.• If self-employed: annualaccounts. |
| **Share Sale**  | • Sale value of shares sold.• Method of sale with nameand location of broker etc• Date of Sale.• Detail of length of time theinvestments were held.  | • Sale documentation. |
| **Sale of Property**  | • Valuation of property andsale.• Location and details orproperty (to ascertainvaluation).• Dates of purchase and saleof property. | • Completed sale contract(dependant when propertysold).• Letter from solicitor confirming details of the sale. |
| **Company/businesssale** | • Details of the business sold(name and location).• Sale price and date.• Nature of the business(industry of the company). | • Letter from accountant orsolicitor confirming saledetails.• Copy of contract of saleconfirming details.• Depending on size of thebusiness, media confirmationconfirming the sale. |
| **Inheritance**  | • Total amount received.• Name of benefactor.• Date received.• Relation / Connection. | • Grant of probate includingdetails of the assets.• Letter fromsolicitor or accountant confirming thedetails (should also provide somenarrative of how the assets were obtained). |
| **Gift**  | • Reason for the gift andthe relationship/connection tobenefactor.• Amount and date the giftwas received. | • Letter from the donor evidencingthe wealth and acknowledging the gift andreason. |
| **Company profits**  | • Annual income and netprofits of the business. | • Companies house filings suchas financial statements/annualaccounts.• Letter from accountant orsolicitor confirming businessdetails and profits. |