

FROM: Head of Market Reporting & Solvency Department,
LOCATION: MRSD 58/NE3
EXTENSION: 5364
DATE: 5 July 1999
REFERENCE: Y2086
SUBJECT: MEMBERSHIP AND UNDERWRITING
REQUIREMENTS

ATTACHMENTS: See (i) to (ii) below

ACTION POINTS: **Members' Agents, Lloyd's Advisers and Corporate
Members to note**

DEADLINE: **Effective for the coming-into-line exercise for the
2000 year of account and beyond**

On the 30 June 1999 the Prudential Supervision Committee of the Lloyd's Regulatory Board prescribed:

- i) the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Member) ("M&UR"), attached as Appendix 1;
- ii) the Membership and Underwriting Requirements (Corporate Member) ("M&UR Corp"), attached as Appendix 2; and
- iii) updated Membership and Underwriting Requirements in respect of members' overseas business ("M&UR Overseas"). See market bulletin (Ref: Y2087).

Following the consolidation of the requirements for individual and corporate members last year, the M&UR continues to set out the coming-into-line requirements for both corporate and individual members, while the M&UR Corp provides the rules relating to admission and continuing membership for corporate members. For the remainder of this bulletin the M&UR and the M&UR Corp are together referred to as the M&URs.

The changes made to the requirements are primarily of a housekeeping nature, although particular attention is drawn to the following points:

Prescribing of the requirements continuously

Historically, the M&URs have been prescribed on an annual basis. The requirements have now been drafted so as to remove any year specific references and to make them continuous in nature. In future the requirements will only be revised and re-issued as and when the need arises.

Assets that are no longer acceptable

Previous requirements allowed anticipated tax recoveries relating to the 1993 and prior year of account to be included as part of an individual member's FAL to the extent that they resulted from a closed year loss or a run-off deficiency in respect of those years of account. Initially permitted as FAL in 1991/1992 as a temporary mechanism to assist members in meeting their ongoing requirements, anticipated tax recoveries relating to 1993 and prior years of account will no longer be permitted assets for FAL purposes.

Diversification of assets

The diversification requirements have been amended in order to be consistent with the EU Directives. Previously the rules relating to holdings of debt securities, bonds, other money and capital market instruments (paragraph 1 assets) and shares and other variable yield participations (paragraph 2 assets) applied an aggregate cut-off point of 40%, whereby once the holding in either class of asset exceeded 40% of the sum of a members' FAL and PTF assets, the maximum single holding restriction was reduced from 10% to 5%. The requirements have been amended so that up to 40% of the sum of a members' FAL and PTF assets can always be held in blocks of up to 10% in any one holding, whilst any securities in excess of the 40% threshold must be held in blocks of 5% or less in any one holding. As a consequence of the dispensation for individual members, referred to below, these restrictions will in practice only apply to corporate members.

The FSA has agreed that more liberal concentration restrictions should continue to apply to individual members, although, the transitional arrangements¹ that allowed up to 50% of FAL in one security will cease to be available from the 2000 year of account, and the basic restriction of 20% of the required FAL in any one security will apply. A brief summary of the requirements as they affect individual members is attached at Annex A to this bulletin.

Members are reminded that they may aggregate their FAL and their share of PTF assets for the purpose of meeting the diversification requirements where they have ready access to the information necessary to achieve this. Members may also continue to satisfy the requirements by application of the concentration limits to funds at Lloyd's and premium trust funds separately if the relevant information is not available.

¹ Last year, a formula was applied by members' agents to give dispensations to provide up to 50% of their FAL in any one security, but only if additional FAL was provided in other acceptable assets.

Valuation date for FAL

Members' FAL must be valued at a prescribed valuation date to determine the value of assets available to support underwriting. Last year, the valuation was performed on 30 June for individual members and on 31 August for corporates. For administrative reasons, it has been decided that the dates should be synchronised for both categories of members, and after consultation with the Lloyd's Market Association, a date of 30 June has been agreed. Notwithstanding the valuation date, members continue to be required to replenish their FAL if it depreciates by 10% or more at any time during the year.

Corporate member admission process

The Authorisation Department has conducted (with representatives from other key departments) a review of the admission process for corporate members with a view to streamlining the documentation and simplifying this process. The resulting recommendations, which were endorsed by the Authorisation Committee at its meeting on 9 April 1999, have introduced a number of amendments to the M&UR Corp.

Changes to the application documentation are detailed in the Regulatory Bulletin 050/99 dated 1 June 1999. Changes to the annual declaration of compliance process, including full details of transitional arrangements for existing corporate members, will be provided in a Regulatory Bulletin to be issued in due course. In the interim, no action is necessary in respect of the Declaration of Compliance.

Overseas Underwriting Conditions and Requirements

The provisions applicable to corporate members in respect of their overseas underwriting business have been removed from the M&UR Corp with a view to providing a single point of reference for both individual members and corporate members in respect of each category of overseas business for which there exist specific membership and underwriting requirements. As part of this process it has been necessary to amend and update all existing membership and underwriting requirements relating to overseas business. The updated membership and underwriting requirements in respect of US Situs Excess or Surplus Lines business, US Situs Credit for Reinsurance business, Kentucky business and South African Short-term business are the subject of a separate market bulletin of the same date (Ref: Y2087).

Coming-into line timetable

Given that the M&URs are no longer to be prescribed annually the coming-into-line timetable will be prescribed as an independent exercise each year. The relevant dates approved by the Prudential Supervision Committee for the coming year, as specified in appendix 12, are as follows:

DATE 1	12 November 1999	Members to sign and return syndicate lists to members agent
DATE 2	12 November 1999	Coming-into-line date for 2000

DATE 3	26 November 1999	Confirmation from members' agent / corp. members that all members are in line and syndicate lists signed
DATE 4	26 November 1999	Provision by members agents of means, FAL and capital requirement data for each member

[See appendix 12 for full requirements]

Any queries relating to this market bulletin should be addressed to Neil Wells (ext 6701) or Kevin Nethersell (ext 6253) of the Market Reporting and Solvency Department in relation to the M&UR and Graham Brady (ext 5292) of the Authorisation Department in relation to M&UR Corp.

This bulletin has been sent to all underwriting agents, corporate members, Lloyd's advisers, recognised accountants and market associations, including the ALM.

Patricia Hakong
Head of Market Reporting & Solvency

Summary of rules governing acceptable Funds at Lloyd's for individual members

In brief, apart from the following, there are no restrictions on the amount of an individual member's funds at Lloyd's that may be held in any of the assets listed in Parts 1 and 2 of Appendix 5:

- the general principles referred to at the beginning of Appendix 5 may have a "restrictive" effect;
- no more than 10% of the overall value of a member's fund may be held in bonds and securities issued by governments state or regional and local authorities outside, generally, the OECD;
- no more than 20% of the value of a member's required funds at Lloyd's may be held in shares and other variable yield participations (other than permanent interest bearing shares) issued by one company (and any of its connected companies);
- no more than 50% of the value of a member's required funds at Lloyd's may be held in authorised unit trust schemes or recognised schemes or investment funds (except for UCITS); and
- no more than 50% of the overall value of a member's fund may be held in authorised unit trust schemes, recognised schemes or investment funds which track the FTSE Actuaries All Share Index, FTSE 100, FTSE 250 or FTSE 300.

APPENDIX 1

NET ELIGIBLE MEANS

ACCEPTABLE MEANS ASSETS

1 General Conditions

An asset shall only be an acceptable means asset for the purposes of Part B of these requirements where it meets each of the following conditions:

- (a) it is beneficially owned by the member or candidate for membership (in this Appendix hereinafter referred to as a "member");
- (b) it is not encumbered or otherwise charged for any purpose;
- (c) it is not used or otherwise dealt with by the member in such a way that might restrict its availability to meet any underwriting liabilities which the member may incur in the course of his underwriting business at Lloyd's; and
- (d) it is not a securities holding in a Lloyd's corporate vehicle or an underwriting agent registered to act as an underwriting agent by Lloyd's.

2 Assets which must constitute at least 60 per cent. of required means level

At least 60 per cent. of the means taken into account in calculating a member's net eligible means shall consist of any of the following assets, each of which must satisfy any requirements regarding tenure or valuation set out in relation thereto, namely -

- 2.1 Approved UK investments: The following assets are acceptable means assets provided that they are solely owned by the member (whether or not held on his behalf by a nominee) and that no single holding of such assets, other than of those listed at (a), (b), (f), (g) or (h) may be relied upon as providing more than 30 per cent. of the assets taken into account in calculating the member's net eligible means:

- (a) British Government Stock with a fixed redemption date,
- (b) local authority bonds,
- (c) securities listed on the Stock Exchange (valued at mid-market price),
- (d) securities listed on the Alternative Investments Market and issued by a company which has a market capitalisation of at least £20 million,
- (e) units in authorised UK unit trusts (valued at bid price),
- (f) British saving bonds (valued at face value),
- (g) national savings certificates (valued at nominal value plus accrued interest),

- (h) premium bonds (valued at face value), and
 - (i) assets held in personal equity plans;
- 2.2 approved non-UK investments: shares quoted on an approved foreign stock exchange (valued, in sterling, having prudent regard to their likely realisable value) are acceptable means assets provided that:
- (a) they are solely owned by the member, and
 - (b) they are subject to no restriction upon their sale or upon the remitting of the proceeds of such sale to the UK, whether imposed by the general law applicable thereto or otherwise, and
 - (c) no single holding of any such asset may be relied upon as constituting more than 30 per cent. of the assets taken into account in calculating the member's net eligible means;
- 2.3 cash: cash held in a bank, building society or professional adviser's client account is an acceptable means asset provided that:
- (a) the value of any such cash deposit is expressed in sterling, with foreign currency balances being converted using an exchange rate obtained from a source acceptable to the Society, as at the date to which means have been confirmed,
 - (b) the member has identified to the bank, building society and professional adviser, the account number and the precise location of the account in which the cash deposit is held, and
 - (c) the cash is held solely in the name of the member;
- 2.4 bank or building society guarantees: guarantees in a form approved by an authorised person, issued by a UK branch of an approved credit institution or issued by an approved building society and encashable in London, are acceptable means assets provided that:
- (a) the guarantee is issued in favour of the Society, as trustee,
 - (b) the value of any guarantee, including US or Canadian dollar guarantees, is expressed in sterling, being converted using an exchange rate obtained from a source acceptable to an authorised person, as at the date to which means have been confirmed,
 - (c) the guarantee is continuous and is not capable of cancellation upon less than 4 years notice; and
 - (d) the guarantee is not a Personal Reserve Fund guarantee held pursuant to the Premiums Trust Deed.

- 2.5 letters of credit: a letter of credit, in a form approved by an authorised person, issued or confirmed by a UK branch of an approved credit institution and encashable in London, is an acceptable means asset provided that:
- (a) it is issued in favour of the Society, as trustee,
 - (b) its value is expressed in sterling, such value, where the letter of credit is denominated in US or Canadian dollars, being converted using an exchange rate, obtained from a source acceptable to an authorised person, as at the date to which means have been confirmed,
 - (c) it is irrevocable and valid initially for at least 5 years, with provision for automatic extension for a further year, without written amendment (to the effect that the letter of credit shall always be valid for an unexpired period of 4 years), and
- 2.6 insurance company guarantees: guarantees issued by approved life assurance companies, in favour of the Society as trustee, are acceptable means assets provided that such guarantees are encashable in London and are in a form approved by an authorised person;
- 2.7
- (a) No individual member may provide or maintain as part of his means a guarantee, letter of credit, insurance company guarantee or building society guarantee which has been issued or confirmed by an approved credit institution in respect of which the member's principal private residence constitutes the collateral security held by the institution.
 - (b) Sub paragraph (a) shall not apply to guarantees, letters of credit or insurance company guarantees or building society guarantees provided prior to 31 December 1994 as part of the means of an individual member, so long as the value of the guarantee, letter of credit, insurance company guarantee or building society guarantee, as the case may be, has not subsequently been increased.
- 2.8 life policies: life policies issued by an approved life assurance company are acceptable means assets provided that the member is the sole beneficial owner of any such policy and provided also that the member has paid, and shall pay, all premiums due under that policy from his own resources;
- 2.9 gold: gold valued at 70 per cent. of its market value may be included as part of a member's means provided that:
- (a) it is in the form of bullion or coins,
 - (b) in the case of coins, no account shall be taken of any enhanced value such coins might have by reason of their rarity or collectability, and
 - (c) the gold shall be held by an approved credit institution,

and provided also that gold shall not be relied upon as providing more than 30 per cent. of the means taken into account in calculating a member's net eligible assets;

- 2.10 absolute interests in trust funds: members may include absolute interests in trusts as acceptable means assets provided that the trust assets would have been acceptable means assets had they been owned by the member both at law and in equity;
- 2.11 other assets: such other assets as the Society shall, in its absolute discretion, accept may be included as acceptable means assets.

3 Assets which may not exceed 40 per cent. of the required means level

The following assets are acceptable means assets save that such assets may not in aggregate be relied upon as providing more than 40 per cent. of the means taken into account in calculating a members' net eligible means, and provided also that such assets satisfy any requirements regarding tenure or valuation set out in relation thereto, namely -

- 3.1 real property: members may include as acceptable means assets any
 - (i) freehold interest in land, or
 - (ii) leasehold interests where the unexpired residue of the lease is not less than 50 years and the sum of that unexpired residue and the member's age is greater than 100 years,

provided that the property in question is not the member's principal private residence, and provided also that -

- (a) amounts in respect of any mortgages or other outstanding loans secured upon the property shall be deducted from its value as shown in the member's means confirmation,
- (b) where the member's interest is jointly owned with any other person, the property in question shall be held on a tenancy in common,
- (c) the authorised signatory shall confirm whether or not there are any restrictions on realising the property, or whether or not is subject to the community property laws of any state of the United States of America, and
- (d) the member shall use his best endeavours to insure the property to its full reinstatement value.

4 Overseas members

- 4.1 If any of the assets listed in paragraphs 2 and 3 above which an overseas individual member is relying on for means purposes are subject to the community property laws in force in any US state listed in sub-paragraph 4.2 below, the value of such assets for means purposes shall be reduced by 50 per cent. unless the member produces a

community property commitment agreement in such form as is acceptable to the Council and duly executed by the member's spouse.

4.2 For the purposes of sub-paragraph 4.1 above, the relevant US states are the following:

Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.

4.3 Where the exchange control regulations in force in the country in which an overseas member is resident restrict or prohibit the transfer of assets of the member to the United Kingdom to discharge any underwriting liabilities he may have incurred in the course of his underwriting business at Lloyd's, the member must either:

- (a) produce to Lloyd's confirmation that any necessary exchange permission to transfer the relevant assets to the UK has been or will be granted;
- (b) show means in a country which does not have such exchange control regulations; or
- (c) provide the Society with a letter of credit or guarantee which is capable of encashment in the United Kingdom.

LIABILITIES

5 Liabilities to be taken into account when calculating the value of net eligible means

In calculating the amount of an individual member's net eligible means, the following liabilities of the member shall be deducted from the aggregate value of his acceptable means assets, in accordance with the following provisions -

5.1 taxation liabilities:

- (a) all taxation liabilities, whether in respect of income or capital taxation, not capable of being met by income or by assets (other than the member's principal private residence) not taken into account in calculating the member's net eligible means, and
- (b) in the case of lifetime transfers giving rise to actual or potential inheritance tax, or its equivalent, any estimated tax liabilities;

5.2 other loans and liabilities: any other liabilities which the member cannot meet from assets other than those taken into account in calculating the net eligible means;

5.3

contingent liabilities:

- (a) all contingent liabilities (other than those arising from the member's underwriting at Lloyd's) which are likely to arise in the foreseeable future and which may materially reduce the net eligible means of the member,
- (b) liabilities which will arise between the date of completion of the means confirmation and the date on which it is submitted and which may materially reduce the net eligible means of the member, and
- (c) partnership tax liabilities, unless the partnership agreement in question provides that the partners shall bear tax liabilities arising from the partnership severally.

APPENDIX 2

UNDERWRITING AS AN INDIVIDUAL MEMBER

<u>LEVEL OF NET ELIGIBLE MEANS BEING SHOWN</u>	CAPITAL REQUIREMENT
£250,000 and over Para 3(1)	The higher of: (a) The relevant percentage of OPL for the next following year of account of which at least £25,000 must be in the Lloyd's deposit; (i) where this is a 45% OPL requirement 5% may be provided from the OPW component of a member's means (the remaining 40% must be provided as FAL); (ii) where this is a 35% OPL requirement 3.9 % may be provided from the OPW component of a member's means (the remaining 31.1 % must be provided as FAL); or (b) £25,000 Lloyd's Deposit; or (c) such amount as may be computed using Risk Assessed Capital Requirements or as set by Council of which 5/45th may be provided from the OPW component of a member's means.
less than £250,000 Para 3(2)	The higher of: (a) The relevant percentage of OPL for the next following year of account of which at least £25,000 must be in the Lloyd's deposit; or (b) £25,000 Lloyd's Deposit; or (c) such amount as may be computed using risk assessed capital requirements or as set by Council.

For the above purposes the relevant percentage is 35% for members writing 85% or more direct UK motor business and in all other cases 45%.

APPENDIX 3

MEMBERS PARTIALLY CONVERTING TO A CORPORATE VEHICLE

1. SOLVENCY CONSIDERATIONS IN THE YEAR OF CONVERSION

1.1 A conversion scheme which offers partial conversion of an individual member's prospective participations, may only be made if the Conversion Official is satisfied that the conversion scheme will allow significant additional benefits to accrue to the participants.

1.2 Provided always that the provisions contained in sub-paragraph 1.1 are satisfied, any individual member who wishes to continue underwriting on an unlimited basis and partially convert to limited liability for a subsequent year of account must satisfy the following conditions:

- (a) have at least £25,000 in his Lloyd's deposit;
- (b) have reconfirmed his means position to establish the relevant ratio of FAL to OPL: the interavailable FAL supporting the successor vehicle(s) would not form part of that calculation;
- (c) of that FAL an initial amount will be set aside for back year creditors, the amount comprising:
 - (i) any unpaid losses and run-off deficiencies as per the personal consolidated statement;
 - (ii) any net solvency deficiency on the two naturally open years;
 - (iii) an amount to cover potential creditors from the pre-conversion year (ie. the net solvency deficiency of the two naturally open years in the last solvency test multiplied by

XOPL

 (YOPL+ZOPL)

Where X = immediately preceding year
Y = year immediately preceding X
Z = year immediately preceding Y

- (iv) the individual member's SRF can be used as part of the set aside.

APPENDIX 4

Underwriting as a Corporate Member

NET FUNDS AT LLOYD'S	
The higher of: (a)	The relevant percentage of OPL; or
(b)(i)	£0.5 million, for any corporate member incorporated in a jurisdiction other than in any state of the United States; or
(b) (ii)	£1.5 million, for a corporate member incorporated in any state of the United States; or
(b) (iii)	£250,000, for any corporate member which has been a private successor vehicle for 5 years or more; or
(c)	such amount as may be computed using risk assessed capital requirements or as set by the Council.

For the above purposes the relevant percentage is 35% for members writing 85% or more direct UK motor business and in all other cases 45%.

APPENDIX 5

Funds at Lloyd's

General principles for the determination of acceptable assets

1. Assets must be diversified and spread in such a way as to ensure that there is no excessive reliance on any particular category of asset, investment market or investment.
2. Investments in particular types of asset which show high levels of risk, whether because of the nature of the asset or the quality of the issuer, must be restricted to prudent levels.
3. Assets must be readily realisable.
4. All assets are to be valued net of any debts arising from their acquisition.

Part 1

Categories of assets which are acceptable for funds at Lloyd's of individual members and corporate members and for other personal wealth of individual members

1. Debt securities, bonds and other money and capital market instruments

- (a) Subject to sub-paragraphs (b), (c) and (d), debt securities, bonds and other money and capital market instruments which:
 - (i) are of a class quoted or listed on an approved stock exchange; and
 - (ii) are denominated in an approved currency.
- (b) Loan notes which:
 - (i) are of a class quoted or listed on an approved stock exchange;
 - (ii) are denominated in an approved currency; and
 - (iii) are issued or guaranteed by an approved credit institution or are issued by a company incorporated in England, Wales or Scotland, all or some of the securities of which company are quoted or listed on an approved stock exchange.
- (c) US municipal bonds which:
 - (i) are of a class quoted or listed on an approved stock exchange;
 - (ii) are denominated in an approved currency; and

- (iii) subject to sub-paragraph (j), have a Standard and Poor's rating and a Moody's rating of at least AA in each case, and, if only having one such rating, of AA or better.
- (d) Certificates of deposit which:
 - (i) are denominated in an approved currency; and
 - (ii) are issued by an approved building society or approved credit institution.
- (e) No more than 10 per cent. of the Overall Value of a Member's Fund may be held in bonds and securities issued by any governments state and regional and local authorities outside the following countries:

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, England, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Northern Ireland, Norway, Portugal, Saudi Arabia, Scotland, South Korea, Spain, Sweden, Switzerland, Turkey, United States and Wales.
- (f) Subject to sub-paragraphs (g) and (i), no more than 5 per cent. of the Overall Value of a Member's Fund may be held in any of the assets referred to in sub-paragraphs (a), (b), (c) and (d) ("Paragraph 1 Assets") issued by any one company (and any of its connected companies).
- (g) Subject to sub-paragraph (i), more than 5 per cent. (but no more than 10 per cent.) of the Overall Value of a Member's Fund may be held in Paragraph 1 Assets issued by any one company (and any of its connected companies) provided Paragraph 1 Exceptions do not amount to more than 40 per cent. of the Overall Value of a Member's Fund.
- (h) For the purpose of sub-paragraph (g), an investment of more than 5 per cent. (but no more than 10 per cent.) of the Overall Value of a Member's Fund in Paragraph 1 Assets issued by any one company (and any of its connected companies) is a "Paragraph 1 Exception".
- (i) In the case of individual members only, up to 100 per cent. of the value of that member's required funds at Lloyd's may be held in Paragraph 1 Assets issued by any one company (and any of its connected companies).
- (j) In the case of individual members only and until the coming-into-line date for the 2001 year of account, US municipal bonds which meet the criteria set out in sub-paragraphs (c)(i) and (ii) need have only a Standard and Poor's rating and a Moody's rating of at least A in each case, and, if only having one such rating, of A or better.

2. Shares and other variable yield participations

- (a) Shares and other variable yield participations which:
- (i) are of a class quoted or listed on an approved stock exchange;
 - (ii) are denominated in an approved currency;
 - (iii) are held either in an approved depository or by Members' Funds Department;
 - (iv) are neither in, nor have been issued by, a corporate member;
 - (v) are neither in, nor have been issued by, any company in the same group as a corporate member unless the turnover of the corporate member is equal to 5 per cent. or less of the turnover of the group of which the corporate member is a member;
 - (vi) are neither in, nor have been issued by, an underwriting agent registered to act as an underwriting agent by the Society; and
 - (vii) are neither in, nor have been issued by, any company in the same group as an underwriting agent registered to act as an underwriting agent by the Society unless the turnover of the underwriting agent is equal to 5 per cent. or less of the turnover of the group of which the underwriting agent is a member.
- ("Paragraph 2 Assets").
- (b) The figures to be used for the purposes of sub-paragraphs (a)(v) and (vii) shall be those shown in:
- (i) the then latest published audited accounts of the corporate member or underwriting agent, as the case may be; and
 - (ii) the then latest published audited consolidated accounts of the group of which the corporate member or underwriting agent, as the case may be, is a member.
- (c) Subject to sub-paragraphs (d), (f) and (g), no more than 5 per cent. of the Overall Value of a Member's Fund may be held in Paragraph 2 Assets issued by any one company (and any of its connected companies).
- (d) Subject to sub-paragraphs (f) and (g), more than 5 per cent. (but no more than 10 per cent.) of the Overall Value of a Member's Fund may be held in Paragraph 2 Assets issued by any one company (and any of its connected companies) provided Paragraph 2 Exceptions do not amount to more than 40 per cent. of the Overall Value of a Member's Fund.

- (e) For the purpose of sub-paragraph (d), an investment of more than 5 per cent. (but no more than 10 per cent.) of the Overall Value of a Member's Fund in Paragraph 2 Assets issued by any one company (and any of its connected companies) is a "Paragraph 2 Exception".
- (f) Subject to sub-paragraph (g), in the case of individual members only, no more than 20 per cent. of the value of that member's required funds at Lloyd's may be held in Paragraph 2 Assets issued by one company (and any of its connected companies).
- (g) In the case of individual members only, up to 100 per cent. of the value of that member's required funds at Lloyd's may be held in Paragraph 2 Assets issued by one company (and any of its connected companies) if those Paragraph 2 Assets are permanent interest bearing shares.

3. Holdings in authorised unit trust schemes or recognised schemes or investment funds

- (a) Holdings in authorised unit trust schemes or recognised schemes or investment funds which:
 - (i) do not have investments in (and do not invest in) shares or other variable yield participations in, or issued by:
 - (aa) a corporate member;
 - (ab) any company in the same group as a corporate member unless the turnover of the corporate member is equal to 5 per cent. or less of the turnover of the group of which the corporate member is a member;
 - (ac) an underwriting agent registered to act as an underwriting agent by the Society; or
 - (ad) any company in the same group as an underwriting agent registered to act as an underwriting agent by the Society unless the turnover of the underwriting agent is equal to 5 per cent. or less of the turnover of the group of which the underwriting agent is a member; and
 - (ii) either are UK authorised or recognised by the Financial Services Authority; or
 - (iii) in the case of US mutual funds are authorised and regulated by the Securities and Exchange Commission.

("Paragraph 3 Assets").
- (b) The figures to be used for the purposes of sub-paragraphs (a)(i)(ab) and (ad) shall be those shown in:

- (i) the then latest published audited accounts of the corporate member or underwriting agent, as the case may be; and
 - (ii) the then latest published audited consolidated accounts of the group of which the corporate member or underwriting agent, as the case may be, is a member.
- (b) Subject to sub-paragraphs (d) and (e), no more than 25 per cent. of the Overall Value of a Member's Fund may be held in authorised unit trust schemes, recognised schemes and investment funds (other than Undertakings for Collective Investments in Transferable Securities (UCITS) co-ordinated within the meaning of EC Council Directive 85/611/EEC of 20 December 1985).
- (d) Subject to sub-paragraph (e), in the case of individual members only, no more than 50 per cent. of the value of that member's required funds at Lloyd's may be held in authorised unit trust schemes, recognised schemes and investment funds (other than Undertakings for Collective Investments in Transferable Securities (UCITS) co-ordinated within the meaning of EC Council Directive 85/611/EEC of 20 December 1985).
- (e) No more than 50 per cent. of the Overall Value of a Member's Fund may be held in authorised unit trust schemes, recognised schemes and investment funds where the funds under management are invested so that the amount invested in the listed equity shares of companies in any one sector of any one of the FTSE Actuaries All Share Index, FTSE 100 Share Index, FTSE 250 Share Index or FTSE 300 Share Index is proportional to the component size of that sector in the relevant index.

4. Cash at bank, in hand and in deposits with credit institutions and building societies

- (a) Cash which:
- (i) is in an approved currency; and
 - (ii) is held by an approved credit institution or approved building society.
- (b) Cash in hand, namely cash which is in an approved currency and held by Members' Funds Department.
- (c) National Saving Certificates.

5. Letters of credit

Letters of credit which:

- (a) in the case of letters of credit issued on behalf of an individual member, contain the terms set out in Lloyd's standard form MEM 280 without any

material additions to such terms and have been completed in strict compliance with the notes for completion set out therein;

- (b) in the case of letters of credit issued on behalf of a corporate member, contain the terms set out at Appendix 32 to the Membership and Underwriting Requirements (Corporate Member) without any material addition to such terms and have been completed in strict compliance with the notes for completion set out on the reverse side of that Appendix 32;
- (c) have been issued or confirmed by an approved credit institution, an approved building society or an approved life assurance company;
- (d) have been issued on the headed notepaper of the issuer or confirmer or sent by an authenticated teletransmission system such as SWIFT;
- (e) are encashable in London;
- (f) are denominated in an approved currency;
- (g) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (h) are clean, irrevocable, valid for an initial period of 5 years and subject to automatic annual extension without written amendment;
- (i) are subject to not less than 4 years' notice of cancellation after the first year;
- (j) are governed by English law and subject to the exclusive jurisdiction of the English courts;
- (k) if issued or confirmed after 31 December 1994 have not been issued or confirmed on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence; and
- (l) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so that, for example, if it is due to expire on or before 30th September 2005 it will not be an authorised asset for the 2002 and any subsequent year of account.

6. Guarantees

Guarantees which:

- (a) in the case of guarantees issued on behalf of an individual member, are;
 - (i) if given (or to be given) by joint guarantors, in Lloyd's standard form MEM 171 or MEM 199 and have been completed and executed in strict compliance with the relevant notes for completion;

- (ii) if given (or to be given) by an approved credit institution, in Lloyd's standard form MEM 170 or MEM 178 and have been completed and executed in strict compliance with the relevant notes for completion;
 - (iii) if given (or to be given) by an insurance company, in Lloyd's standard form MEM 174 or MEM 179 and have been completed and executed in strict compliance with the relevant notes for completion;
- (b) in the case of guarantees issued on behalf of a corporate member, are:
- (i) if given (or to be given) by joint guarantors, in the form set out at Appendix 33 to the Membership and Underwriting Requirements (Corporate Member) and have been completed and executed in strict compliance with the guidance notes set out at Appendix 35 to the Membership and Underwriting Requirements (Corporate Member);
 - (ii) in the case of any other guarantee, in the form set out at Appendix 34 to the Membership and Underwriting Requirements (Corporate Member) and have been completed and executed in strict compliance with the guidance notes set out at Appendix 36 to the Membership and Underwriting Requirements (Corporate Member);
- (c) have been provided by an approved credit institution, an approved building society or an approved life assurance company;
- (d) are encashable in London;
- (e) are denominated in an approved currency;
- (f) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (g) are valid for an initial period of 5 years and subject to not less than 4 years' notice of cancellation;
- (h) are governed by English law and subject to the exclusive jurisdiction of the English courts;
- (i) if provided after 31 December 1994 have not been provided on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence; and
- (j) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so that, for example, if it is due to expire on or before 30th September 2005 it will not be an authorised asset for the 2002 and any subsequent year of account.

Part 2

Categories of assets which are only acceptable for funds at Lloyd's of individual members and for other personal wealth of individual members

1. Verifiable sums arising out of life assurance policies

Verifiable sums arising out of life assurance policies underwritten by an approved life assurance company.

Part 3

Additional categories of assets which are acceptable for other personal wealth of individual members

1. Land and buildings

- (a) Land and buildings other than a principal private residence.
- (b) No more than 10 per cent. of the Overall Value of a Member's Fund may be held in any one piece of land or building or a number of pieces of land or buildings close enough to each other to be considered effectively as one investment.

2. Gold

Gold.

APPENDIX 6

DETERMINATION OF THE MARKET VALUE OF FUNDS AT LLOYD'S

1. (1) Subject to paragraph 3, the mid-market closing price, bid price or market price (as the case may be) of securities shall be determined as follows:

(a) in the case of certificates of deposit falling within Part 1 paragraph 1(d) of Appendix 5 by the following calculation:

$$\text{mid-market closing price} = \frac{36,5000 + (I \times P)}{36,500 + (C \times D)} \times N$$

Where

I = rate of interest at which the certificate was issued

P = its period of duration on the date of issue expressed in days

C = Bank of England closing interest rate on the relevant date for deposits of the maturity closest to D for which a closing interest rate is given

D = period of issue of certificate which is unexpired at the relevant date expressed in days

N = aggregate nominal amount of the certificates of deposit concerned

(b) in the case of any security falling within Part 1 paragraph 1.(a) of Appendix 5 or issued by a company referred to in paragraph 2.(a) of Appendix 5, or by an investment trust referred to in paragraph 3.(a) of Appendix 5 its mid-market closing price shall be that shown in the London edition of the Financial Times or in the Stock Exchange Daily Official List, in the New York edition of the Wall Street journal, the Globe and Mail (Canada) or in a reputable financial newspaper published in a place where the exchange is situated on the relevant date or in any one of the electronic pricing sources set out in paragraph 4 permitted for the security concerned for the relevant date;

(c) the bid price of a unit in a trust fund referred to in Part 1 paragraph 3(a) (i) of Appendix 5 shall be the price certified in writing by the manager of the trust fund on the relevant date or in any one of the electronic pricing sources set out in paragraph 4 of this Appendix permitted for the security concerned for the relevant date;

- (d) the bid price of a share in a mutual fund referred to in Part 1 paragraph 3(a)(ii) of Appendix 5 shall be the net asset value per share for that mutual fund on the relevant date quoted by the National Association of Securities Dealers of the US;
- (e) the market price of the US municipal bonds referred to in Part 1 paragraph 1.(a)(v) of Appendix 5 shall be the price certified in writing by any broker or dealer which makes a market in the particular bond on the relevant date;
- (f) the market price of the loan notes referred to in Part 1 paragraph 1(a) (iii) of Appendix 5 which are **issued** by an approved credit institution shall be determined by the following calculation:

$$100 - (AB \times \frac{C}{365}) + D$$

where:

A = the yield on gilt-edged stock of equivalent duration to redemption.

B = 1.5.

C = the number of days to redemption.

D = accrued interest.

- (g) loan notes referred to in Part 1 paragraph 1(a) (iii) of Appendix 5 which are **guaranteed** by an approved credit institution will be given a par value.
- (h) the market price of the unsecured loan notes falling within Part 1 paragraph 1(a) (iv) of Appendix 5 shall be determined by the following calculation:

$$100 - (AB \times \frac{C}{365}) + D$$

where:

A = the yield on gilt-edged stock of equivalent duration to redemption.

B = 1.1.

C = the number of days to redemption.

D = accrued interest.

- (2) Assets falling within Part 3 paragraph 2 of Appendix 5 shall be valued at 90 per cent of the value on the relevant date as shown in a valuation made by a valuer acceptable to an authorised person and, if such valuation is not as at the relevant date, at such other date as an authorised person may agree.
- (3) In this paragraph 1 and in paragraph 2, "*the relevant date*" means:-
 - (a) in the case of any valuation of securities or other assets included in an individual member's or corporate member's funds at Lloyd's as at any relevant valuation date and any currency translation required for the purpose of any such valuation, the first business day after such relevant valuation date save that, where an electronic pricing source is used, the relevant date means the relevant valuation date; and
 - (b) in the case of any other valuation for the purposes of these conditions and requirements, the date on which that valuation is made.
- (4) The following assets shall be valued at par:
 - (a) cash in sterling (falling within part 1 paragraph 4 of Appendix 5).
 - (b) cash in sterling held in a building society account (falling within part 1 paragraph 4 Appendix 5)
 - (c) bank and insurance company guarantees payable in sterling (falling within part 1 paragraph 6 of Appendix 5).
 - (d) letters of credit payable in sterling (falling within part 1 paragraph 5 of Appendix 5).
 - (e) national savings certificates (falling within part 1 paragraph 4 of Appendix 5).
- (5) The following assets shall be valued by applying the exchange rate prevailing at the relevant time:
 - (a) letters of credit and guarantees payable in currencies other than sterling (falling with part 1 paragraph 5 or 6 of Appendix 5).
 - (b) cash balances held in currencies other than sterling (falling within part 1 paragraph 4 of Appendix 5).
- (6) Whole life and endowment policies falling within part 2 paragraph 2 Appendix 5 shall be valued at their surrender value at the relevant time.

Foreign Currency

2. Amounts denominated in currencies other than sterling shall be translated into sterling using the closing mid-market rate of exchange shown in the London edition of the Financial Times on the relevant date or at the settlement spot rate shown at or about

11am on the relevant date on Reuters Screen SAF5 Page or such other Reuters Screen page as may be prescribed by an authorised person.

Electronic pricing sources

3. (1) The electronic pricing sources permitted for the purpose of paragraph 1 and the securities for which they are permitted are as follows -

Name of pricing source	Securities for which it may be used
Bloomberg	Any security
Bridge	Any equity security and any other security agreed in writing by an authorised person
Datastream	Any security
Extel/Exshare	Any security
Hardwick Stanford White (previously FINSTAT)	Any security falling within sub-paragraph 2.1(g), (h) or (i) and any other security agreed in writing by an authorised person
Interactive Data Company	Any security
International Securities Market Association	Any bond held in Euroclear or CEDEL S.A.
Reuters	Any security
Telekeurs	Any security

and any other electronic pricing source which an authorised person agrees in writing may be used for securities specified by him.

(2) Any closing price shown for the security concerned in the relevant electronic pricing source may be taken as the mid-market closing price or bid price (as the case may be) for the purpose of these conditions and requirements; provided that where bid and invitation closing prices are shown for the same close, the average of those closing prices shall be taken as the mid-market closing price.

(3) If in this Appendix 6. no mechanism is provided for the valuation of an authorised asset, the value to be put on that authorised asset for the purposes of these requirements will be determined by the General Manager, Members' Financial Services.

APPENDIX 7

INTERPRETATION

1 Except where otherwise provided or where the context otherwise requires, the words and expressions used in these conditions and requirements shall have the meanings given to them in the Membership Byelaw (No 17 of 1993) or in the Syndicate Accounting Byelaw (No. 18 of 1994), each as amended.

2 In these conditions and requirements, except where the context otherwise requires:

acceptable means assets means assets of an individual member which may be taken into account in calculating his net eligible means;

accepting Name means a Name who validly accepts the settlement offer made pursuant to the document entitled "Settlement Offer" issued by Lloyd's and dated July 1996;

accredited investor means:

- (a) an individual who has attested that his net worth, or joint net worth with his spouse, exceeds \$1,000,000; or
- (b) an individual who in each of the two most recent years, has individual income in excess of \$200,000, and has a reasonable expectation that his individual income in the current year will be in excess of \$200,000; or
- (c) an individual who in each of the two most recent years, has joint income with his spouse in excess of \$300,000, and has an expectation that his joint income with his spouse in the current year will be in excess of \$300,000.

additional solvency statement has the meaning given in Schedule 1 to the Solvency and Reporting Byelaw (No. 13 of 1990);

approved building society	means a building society authorised under the Building Societies Act 1986 which has a general reserve (as shown in its most recent audited accounts) of at least £100m, excluding revaluation reserve;
applicable credits *	means the credits (including triple release, high level stop loss recovery and refund of high level stop loss contributions) which are being made to Names in accordance with the terms of the finality statement;
approved charge *	means a fixed and floating charge in whichever of the forms set out at Appendix 36 to the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7);
approved covenant *	means a deed of covenant in whichever of the forms set out at Appendix 35 to the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7);
approved credit institution	means in relation to any of the following purposes: <ul style="list-style-type: none"> (a) holding sums forming the whole or part of a premiums trust fund held under a premiums trust deed; (b) holding sums comprised (or to be comprised) in a member's funds at Lloyd's;

* these definitions are also used in the Membership and Underwriting Requirements (Corporate Member)

- (c) providing guarantees and issuing or confirming letters of credit comprised (or to be comprised) in a member's funds at Lloyd's;
- (d) issuing certificates of deposit comprised (or to be comprised) in a member's funds at Lloyd's;
- (e) issuing or guaranteeing loan notes comprised (or to be comprised) in a member's funds at Lloyd's;
- (f) holding bearer certificates comprised in a member's funds at Lloyd's; or
- (g) verifying means statements;

a credit institution approved by an authorised person for those purposes;

approved currency

means Australian dollars, Canadian dollars, ECUs, Hong Kong dollars, New Zealand dollars, Singapore dollars, United States dollars, Japanese yen, Swedish kroner, Swiss francs or the currency of any member state for the time being of the European Economic Community, provided that if and for so long as any such currency may not lawfully be converted into sterling, it shall cease to be an approved foreign currency;

approved depository

means the Depository Trust Company (DTC), the Canadian Depository for Securities (CDS), CHESSE, fedwire, Euroclear, CEDEL S.A., any depository system mentioned in the definition of "approved stock exchange" and any depository system approved by an authorised person for the purpose of acting as a depository through which securities may be traded;

approved life assurance company*

means an insurance company which:

- (a) is authorised under the Insurance Companies Act 1982 to carry on long term business in the UK;

* these definitions are also used in the Membership and Underwriting Requirements (Corporate Member)

- (b) has a life fund (as shown in its most recent audited accounts) under management:
 - (i) of more than £250m and which has been in existence for 10 years or more; or
 - (ii) of more than £500m;

approved stock exchange

means the Montreal Stock Exchange, NASDAQ/Amex, the London Stock Exchange, the New York Stock Exchange and the Toronto Stock Exchange and the principal stock exchange established in each of the following countries if and for so long as there are no exchange controls on the export of capital from that country (and the depository systems through which securities traded on such exchanges may be held are, in each case, specified in brackets after the name of the country concerned) -

Austria (WSB), Australia (CHESS), Belgium (CIK), Denmark (VPC), Finland, France (SICOVAM), Germany (Kassenverein), Greece (Apothetirio Titlon A.E.), Hong Kong (CCASS), Italy (Monte Titoli), Ireland (IFOX), Japan (JASDEC), Luxembourg, Malaysia (MCD), the Netherlands (NECIGEF), New Zealand (CHESS), Norway (VPC), Portugal (Interbolsa), Singapore (CDP), South Africa, Spain (SCLV), Sweden (VPC) and Switzerland (SEGA); or such other country which may from time to time be added to this list by an authorised person;

associated firm

means, in relation to a partnership, another partnership with which it shares a common partner;

authorised person

means, in relation to any provision in these requirements and the Membership and Underwriting Requirements (Corporate Member), the Lloyd's Regulatory Board or any sub-committee or officer or employee of the Society authorised by the Lloyd's Regulatory Board to discharge the duties and functions or to exercise the powers and

authorised signatory

discretions specified in that provision;
means in relation to the confirmation of the
net eligible means of an individual member,
one of the following persons: -

- (a) a partner in a firm of UK chartered or certified accountants or their associated (including overseas) firms of accountants, or a UK chartered or certified accountant in sole practice in the UK or a partner or sole practitioner holding one of the equivalent qualifications in any jurisdiction as set out below:

EU MEMBER STATES	
Austria	*Wirtschaftspufer und Steuerberater Buchprufer and Steuerberater Steuerberater
Belgium	*Reviseur d'Enterprises/Bedrijfsrevisor Expert Comptable/Accountant
Denmark	*Statsautoriserade Revisorer
Finland	*KHT auditor
France	Expert Comptable *Commissaire aux Comptes
Germany	*Wirtschaftsprufer
Greece	*Certified Accountant and Auditor (SELE)
Ireland	*Certified Public Accountant
Italy	*Dottore Commercialista *Ragioniere *Revisore Contabile
Luxemburg	Expert Comptable *Reviseur d'Enterprises
Netherlands	Registeraccountant (RA)
Portugal	*Revisor Oficial de Contas (ROC)
Spain	*Auditor de Cuentas (ROAC) *Auditor-Censor Jurado de Cuentas (IACJC) *Economista Auditor (REA)
Sweden	Auktoriserad Revisor (AR)

Other non-EU European countries	
Norway	*Statsautorisert Revisor (SR)
Switzerland	Wirtschaftspufer
Australia	Chartered Accountant Certified Practising Accountants
Canada	Chartered Accountant
New Zealand	Chartered Accountant
Japan	Certified Public Accountants Certified Public Tax Accountants
South Africa	Chartered Accountants
USA	Certified Public Accountant

* Registered auditor equivalent

- (b) a representative of a Lloyd's approved credit institution;
 - (c) a partner in a firm of UK solicitors or their associated (including overseas) firms; or
 - (d) a tax specialist who is either an associate member or fellow at the Chartered Institute of Taxation
- excluding in each case;
- (i) any person unable to satisfy himself that he is competent to give an independent opinion on the valuation of the net eligible assets of the candidate or member, and
 - (ii) anyone who is:
 - (a) the spouse, mother, father, child, brother or sister of the candidate or member, or
 - (b) a business partner, fellow director or employee of the candidate or member of any of the persons referred to in sub paragraph (a) above; or
 - (e) any other person from time to time authorised by the General Manager Policy or the Manager Policy Department to give such confirmation;

back year creditors	means creditors of the syndicates on which the Name participated before conversion (including those of the pre-conversion year of account);
capital requirement	means the total funds that a member needs to demonstrate at the coming into line date to support his OPL made up of net FAL and OPW.
captive corporate member	has the meaning given in the Schedule to the Membership Byelaw;
captive syndicate	has the meaning given in the Schedule to the Membership Byelaw;
closed year account	means a year of account for which the financial outcome has been determined following reinsurance to close;
closed year loss	means, in relation to a member, such proportion of the amount shown (as a loss) in the annual report of any syndicate in which that member participated in respect of a year of account closed at 31st December preceding the coming-into-line date concerned as is allocable to the member and which the member has not paid by that coming-into-line date, together with any interest payable by the member in respect thereof;
coming into line date	means, in relation to a year of account, ("Year B") the date or such other date as the Council may from time to time prescribe in the year of account immediately preceding Year B by which a member of the Society or a candidate must have provided its funds at Lloyd's if it is to be eligible to underwrite in Year B;
connected company	means, in relation to a company, any subsidiary and any holding company of that company and any subsidiary of such holding company and "subsidiary", "holding company" and "company" have the meanings given to them by the Companies Act 1985;
connected person	in relation to a participant, means: <ul style="list-style-type: none"> (a) a participant's spouse, his children and

step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or

- (b) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (a) above; or
- (c) a body corporate of which the entire issued share capital is wholly-owned by the participant and/or one or more persons falling within (a) or (b) above;

Conversion Official

has the meaning given in the Conversion Rules;

Conversion Rules

means the rules so called and made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and for the time being in force;

conversion scheme

has the meaning given in the Conversion Rules;

converted member

means an individual member who has taken part in a conversion scheme or private arrangement;

co-ordinating agent

means, in relation to a member, the members' agent appointed by the member to co-ordinate the administration of that member's affairs at Lloyd's in circumstances where more than one members' agent is obliged to provide services as a members' agent to that member;

corporate candidate

means a candidate which is not an individual;

Credit Institution

means a credit institution within the meaning of the First Council Directive on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions (No.77/780/EEC);

existing member

means either an individual member or corporate member of the Society when these requirements come into force;

finality bill	means in relation to a member, the aggregate amount payable by that member as shown in that Name's finality statement;
finality statement	means, in relation to a member , a statement showing the figures for a Name's total liabilities in respect of 1992 and prior business, his triple release and high level stop loss recovery and refund, his allocation of the settlement fund (excluding expenses refunds) and his PSL recovery (or repayment) enclosed with the Settlement Offer document;
funds at Lloyd's	means the monies or other assets to which the member is beneficially entitled constituting the member's Lloyd's deposit (including any premium limit excess deposit), Lloyd's life deposit (if any), old style special reserve fund and qualifying assets within the members' personal reserve funds;
general partner	means a company which is registered as a general partner of an SLP pursuant to the Limited Partnerships Act 1907;
group company	has the meaning given in the Schedule to the Membership Byelaw;
group company insurance business	has the meaning given in the Schedule to the Membership Byelaw;
I.C.T.A. 1970	means the Income and Corporation Taxes Act 1970 and where appropriate any regulations made thereunder;
I.C.T.A. 1988	means the Income and Corporate Taxes Act 1988 and where appropriate any regulations made thereunder;
interavailability arrangement	has the meaning given in the Conversion Rules;
investment company	means a company whose shares are listed, or are the subject of an application for listing, on the London Stock Exchange under part IV of the Financial Services Act 1986 and which is or has applied to be classified as an investment company under the listing rules made by the London Stock Exchange under that Part and shall be deemed to include any

third party which is not otherwise an investment company and which has obtained the consent of an authorised person under paragraph 12 (4) to provide the funds at Lloyd's of a corporate candidate or corporate member;

limited partner

means an individual or company which is registered as a limited partner of an SLP pursuant to the Limited Partnerships Act 1907;

Lloyd's Act legal opinion

means an opinion in the form set out at Appendix 13;

Lloyd's deposit

means, the moneys, investments and other assets (including any covenant by the member and any guarantee or letter of credit provided as security therefor) for the time being held under the terms of a Lloyd's deposit trust deed or Lloyd's security and trust deed;

Lloyd's life deposit

means the moneys, investments and other assets (including any covenant by the member and any guarantee or letter of credit provided as security therefor) for the time being held under a Lloyd's deposit trust deed for long term business or a Lloyd's security and trust deed for long term business;

Lloyd's obligations

means, in relation to any member, all underwriting obligations incurred by the member as an underwriting member, including obligations to the Society and to the trustees of any trust deed under which any part of the member's funds at Lloyd's are held and obligations arising under:

- (a) any byelaw, regulation, rule, direction or other requirement of the Society; and
- (b) any deed, contract, instrument or other arrangement of any kind approved by the Society;

but does not include obligations arising in respect of any letter of credit, guarantee or other security given to secure the performance of any of the member's underwriting obligations in favour of the person giving such

	guarantee or other security;
loss relief	means the relief as set out in sections 168, 171 and 174 of I.C.T.A. 1970, section 30 of the Finance Act 1978, paragraph 3 of Schedule 16 to the Finance Act 1973, sections 380, 381, 385, 388 and 450 of I.C.T.A. 1988 and in section 72 of the Finance Act 1991;
managing agent's trustees	means those trustees of the premiums trust funds appointed by a managing agent in its capacity as a member's managing agent pursuant to the premiums trust deeds;
MAPA	means a member's agent pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No. 8 of 1988);
MAPA member	means an individual member who does not underwrite insurance business at Lloyd's otherwise than through one or more MAPA;
MAPA participation	has the meaning given in the Schedule to the Members' Agent Pooling Arrangements Byelaw (No. 30 of 1993);
member's captive syndicate premium limit	means in relation to a captive corporate member the limit for the time being prescribed on the amount of group company insurance business allocable to a particular year of account which is to be underwritten on the member's behalf through a captive syndicate, such limit being expressed as the maximum permissible amount of the member's captive syndicate premium limit allocable to that year of account;
member's losses	has the meaning given in paragraph 1(1) of Schedule 19A to I.C.T.A. 1988;
member	means as the context requires, an individual member or a corporate member;
Membership and Underwriting Requirements (Corporate Member)	means the Conditions and Requirements made under the Membership Byelaw (No.17 of 1993) and for the time being in force;
net eligible means	means the aggregate value of an individual member's acceptable means assets as valued

in aggregate in accordance with paragraphs 4 and 5;

net funds at Lloyd's

means-

- (a) in relation to any member's overall premium limit the aggregate value of the member's funds at Lloyd's less the value of certain liabilities specified in and valued in accordance with paragraph 11; and
- (b) in relation to his general business premium limit or to the member's long term business premium limit, the aggregate value of the member's funds at Lloyd's maintained exclusively as security for the member's general business or long term business respectively;

non-active individual member

means an individual member who was not underwriting insurance business at Lloyd's as a principal as at 31 December in the year immediately preceding the year of account for which the application is made;

old style special reserve fund

means a special reserve fund established under arrangements referred to in section 452 of ICTA 1988;

OPL

means overall premium limit and is the sum total of a member's syndicate participations rounded up to the next thousand;

**open year solvency deficiency
or open year balance**

means in relation to coming into line date the aggregate figure (if negative) shown on the most recent solvency statements or additional solvency statements in respect of any year of account (other than a run-off account) not closed at the 31st December next before the coming into line date;

**open year solvency surplus
or open year total**

means in relation to the coming into line date the aggregate figure (if positive) shown on the most recent solvency statements or additional solvency statements in respect of any year of account (other than a run-off account) not

	closed as at the 31st December next before the coming into line date;
OPW or Other Personal Wealth	means that percentage of an individual member's capital requirement which may be provided from a member's means.
Overall Value of a Member's Fund	means, in relation to a member, the aggregate value of: <ul style="list-style-type: none"> (a) that member's required funds at Lloyd's; and (b) those parts of the premiums trust funds which are held at syndicate level by or under the control of the managing agent's trustees of that member's managing agents;
participant	has the meaning given in the Conversion Rules;
partner	means a general partner or limited partner as the case may be;
permitted deed	means each of the prescribed forms of Lloyd's Deposit Trust Deed, of Lloyd's Security and Trust Deed (Parent Company Covenant) and Lloyd's Security and Trust Deed (Direct Covenant);
personal stop loss or "PSL"	means policies purchased by members to protect the themselves against losses at Lloyd's;
premiums trust deed	means the trust deed in the form for the time being required by the Council of Lloyd's and approved by the Secretary of State under section 83 Insurance Companies Act 1982 constituting a premiums trust fund;
premiums trust fund	means the trust fund to which all premiums received by or on behalf of the member in respect of his underwriting business are required to be transferred by section 83 Insurance Companies Act 1982;
private arrangement	has the meaning given in the Conversion Rules;

private successor vehicle

means a qualifying successor vehicle under a private arrangement or promoted private arrangement where participants and/or any connected person, either:

- (a) in relation to a qualifying successor vehicle which is a body corporate, hold shares in that body corporate which represent:
 - (i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and
 - (ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or
- (b) in relation to a qualifying successor vehicle which is an SLP, are entitled to:
 - (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and
 - (ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up of the SLP;

promoted private arrangement

has the meaning given in the Conversion Rules;

qualifying successor vehicle

means a successor vehicle under an interavailability arrangement or a transition arrangement under which, in either case, not less than 75 per cent. of the successor

	vehicle's funds at Lloyd's are provided directly or indirectly by the participants;
recognised auditor	means in relation to a syndicate, the person, firm or company appointed pursuant to paragraph 6 of the Audit Arrangements Byelaw (No. 7 of 1998);
relevant liabilities	means: <ul style="list-style-type: none"> (a) in the case of long term business liabilities referred to by an actuary pursuant to section 83(5)(a) of the Insurance Companies Act 1982; and (b) in any other case either (i) liabilities calculated in accordance with instructions approved by the Secretary of State for the purposes of section 83(5)(b) of the Insurance Companies Act 1982 or (ii) liabilities calculated in accordance with the conditions and requirements prescribed by the Council under paragraph 9(1) of the Solvency and Reporting Byelaw (No.13 of 1990) as the case may be;
relevant person	means for the purposes of paragraphs 13 and 14 the General Manager, Authorisation Department, Underwriting Agents or the Manager Authorisation Department Underwriting Agents;
relevant valuation date	(i) means in relation to an individual member the meaning given to it in paragraph 15 of these requirements, 30 th June; and <ul style="list-style-type: none"> (ii) means in relation to funds at Lloyd's provided by a corporate candidate or corporate member for its: <ul style="list-style-type: none"> (a) first year of account following its admission to membership, 30th June next before 1st January of the year in which it wishes to commence underwriting insurance business at Lloyd's or, if later, the date on which it provides funds at Lloyd's; and

- (b) for any other year of account:
 - (i) for funds at Lloyd's in place on 30th June of the year immediately preceding that year of account (the *preceding year*) 30th June of that preceding year; and
 - (ii) for the provision of further assets and monies forming additional funds at Lloyd's provided between 30th June and the coming into line date in the preceding year, the date on which those funds at Lloyd's are provided;

request for funds

means a request for funds made by the managing agent of a syndicate under any standard managing agent's agreement (general), any standard agency agreement or standard sub-agency agreement or any other underwriting agency or sub-agency agreement in respect of the member's participation in the syndicate;

required funds at Lloyd's

means, in relation to a member and any given year of account, the funds at Lloyd's that member is required to provide if that member is to be eligible to underwrite business at Lloyd's with a particular overall premium limit for that year of account;

risk assessed capital requirement or RAC

means the amount calculated in accordance with the risk assessed framework as set out in The Chain of Security - "A Review" issued by Lloyd's in April 1997, as from time to time varied or supplemented;

run-off account

has the meaning given to it in the Syndicate Accounting Byelaw (No. 18 of 1994);

run-off deficiency

means in relation to a member, the amount shown (as a deficiency) in the annual report of any syndicate in which that member participated in respect of a year of account

	more than 36 months old but not closed at 31 st December next before the coming into line date concerned which the member has not met in full by the coming into line date concerned;
Scottish limited partnership or SLP	means a limited partnership formed under the laws of Scotland;
security provision	means such assets as may be required to be provided by a captive corporate member under these conditions and requirements to cover the aggregate risk exposure (as determined by the Society) of the captive syndicates through which a captive corporate member underwrites group company insurance business;
settlement offer document	means, in relation to a Name, the document entitled 'Settlement Offer' issued by Lloyd's and dated July 1996;
Society	means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's;
solvency statement	has the meaning given in Schedule 1 to the Solvency and Reporting Byelaw (No. 13 of 1990);
SRF or Special Reserve Fund	means any fund so designated and set up in relation to the Member if an individual or any of the other members who are individuals in accordance with arrangements referred to in section 175 of the Schedule 20 to the Finance Act 1993;
successor vehicle	has the meaning given in the Conversion Rules;
third party syndicate premium limit	means in relation to a captive corporate member the limit for the time being prescribed on the amount of third party insurance business allocable to a particular year of account which is to be underwritten on the member's behalf through a specified syndicate, such limit being expressed as the maximum permissible amount of the member's third party syndicate premium limit allocable to that year of account;

transitional arrangement	has the meaning given in the Conversion Rules;
uncalled	means in relation to any closed year loss, open year deficiency or run-off deficiency, the extent to which such loss or deficiency has not been made the subject of a request for funds and “called” shall be construed accordingly;
underwriting agent	means a managing agent or a member’s agent;
year of account	means an accounting year at Lloyd’s currently the calendar year;
1992 and prior business	means all liabilities under contracts of insurance (whether direct or otherwise) or reinsurance underwritten by any syndicate (other than life business) and originally allocated to the 1992 year of account or any earlier year of account including, without limitation, any such liabilities reinsured to close into the 1993 or any later year of account but excluding any liabilities re-signed, or re-allocated pursuant to a premium transfer, into 1993 or any later year.

- 3 For the purposes of the conditions and requirements, a year of account of a syndicate shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect, and a year of account shall be treated as open until it is closed.
- 4 In these conditions and requirements:
 - (1) Words and expressions importing the masculine gender include the feminine and neuter words and expressions importing the feminine gender include the masculine and neuter; and
 - (2) Words in the singular include the plural and vice versa.
- 5 The headings in these conditions and requirements shall not effect the interpretation of these conditions and requirements.

APPENDIX 8

PART I

MEMBERS' COMPLIANCE WITH UNDERWRITING REQUIREMENTS

Year of Account

Members' Agent Confirmation Form

Members' Agent:

Date:/...../.....

We confirm (in respect of those members underwriting on the account) that each member for whom we act (either as co-ordinating or sole members' agent) has either complied with the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Members) or has been excused compliance with those requirements by the Council of Lloyd's and that the member has signed a syndicate list confirming that members underwriting participations for the [] year of account.

IMPORTANT NOTICE

The confirmations made in this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Manager, Members' Funds Department.

Signature of Director/Partner
(or other authorised signatory)

Name (in block capitals)
Title/Position

Please return this form to the Manager, Members' Funds Department, by 27 November or such other date as may from time to time be prescribed.

APPENDIX 8

PART II

MEMBERS' COMPLIANCE WITH UNDERWRITING REQUIREMENTS

Year of Account

Corporate Members Confirmation Form

Date:/...../.....

We confirm (in respect of [] (corporate member) underwriting on the account) has either complied with the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Members) or has been excused compliance with those requirements by the Council of Lloyd's and that [] has signed a syndicate list confirming its underwriting participations for the [] year of account.

IMPORTANT NOTICE

The confirmations made in this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Manager, Members' Funds Department.

Signature of Director/Partner
(or other authorised signatory)

Name (in block capitals)
Title/Position

Please return this form to the Manager, Members' Funds Department, by 27 November or such other date as may from time to time be prescribed.

APPENDIX 9

Underwriting Year

CONFIRMATION OF NET ELIGIBLE MEANS
(INDIVIDUAL MEMBERSHIP)

Name

Membership Number.....

Co-ordinating Agent

This form must be returned to
Your co-ordinating agent

CONTENTS

1. General instructions
2. Declaration by member
3. Means verification and declaration by the co-ordinating agent
4. Details of net eligible means

GENERAL INSTRUCTIONS

COMPLETION OF THE DOCUMENT

- 1. The Council of Lloyd's attaches great importance to this confirmation and relies on its contents. Incomplete information and amendment to or deletion of any clause will invalidate the document and may delay the candidate's application. Furthermore, the provision of inaccurate information will be viewed seriously and may jeopardise the authorised signatory's position in relation to any other Lloyd's responsibilities. Any correction made to the document will be acceptable only if initialled by the authorised signatory.**
- 2. The document should be completed by the member/candidate and his co-ordinating agent with due regard to the Guidance Notes.**
3. The form should be signed by an authorised signatory who should conduct the verification procedures as set out in the Guidance Notes (for definition of authorised signatory refer to the Guidance Notes)
4. Details should be typed or written in black ink and BLOCK CAPITALS should be used.
5. Candidates for admission to membership must ensure this form is returned before the prescribed 'coming into line' date or before attending their Rota interview whichever is the earlier.

DEADLINE FOR SUBMISSION

This document must be submitted to the member's co-ordinating agent by the date prescribed by Lloyd's Prudential Supervision Committee.

This document forms part of members' compliance with the Membership and Underwriting Conditions and Requirements.

DECLARATION BY THE MEMBER/CANDIDATE

To the Council of Lloyd's ("the Council")

I, (Name)

(hereinafter "member/candidate") in consideration of continuance of such membership (or my application to be admitted as an underwriting member of Society) hereby confirm that:

- 1 (i) the information contained on page 7 is accurate and complete in all respects;
- (ii) the value of my net eligible means is not less than 45% of my intended Overall Premium Limit (OPL) for the 2000 Account or £250,000 whichever is the greater;
- (iii) liabilities not included in the confirmation are adequately covered by assets outside the scope of the confirmation and therefore do not affect my net eligible means as stated.

2 I further confirm that:

- (i) information and explanations required by the authorised signatory have been provided, together with all material facts which might affect the availability of assets and the amount of liabilities included in the confirmation; and
- (ii) details of any partnerships of joint ventures to which I am a party have been disclosed to my co-ordinating agent and to the authorised signatory and that such partnership or joint ventures are solvent; and
- (iii) where the collateral supporting an existing guarantee/letter of credit is a principal private residence I accept that the guarantee/letter of credit could be drawn against should I fail to meet my underwriting obligations.

3 I undertake and agree with the Council:

- (i) that I will provide a confirmation of net eligible means in the prescribed form annually or whenever required by the Council or any authorised person so to do;
- (ii) that I will notify the Council or any authorised person immediately if for any reason the stated value of my net eligible means falls below my required means level of 45%;
- (iii) that in the event that it appears to the Council that I have failed to comply with or satisfy any financial qualification, condition or requirement or any other condition or requirement relating to my underwriting insurance business at Lloyd's, I will, if so directed by the Council, reduce the level of my underwriting or cease underwriting for any period specified in the direction; and
- (iv) that I will maintain my net eligible means at the required means level as specified above, subject to variation in accordance with any future declarations made by me.

Signature of member/candidate

Date

If there are any matters relating to the confirmation of net eligible means that the member/candidate wishes to draw to the attention of the Council, they should be enclosed on a separate statement. In the absence of a statement, it will be assumed that there are no such matters.

MEANS VERIFICATION

To the Council of Lloyd's

I/We have reviewed the confirmation of net eligible means of the member/candidate on page 7. My/our review was carried out in accordance with the verification procedures set out in the Guidance Notes.

Nothing has come to my/our attention to indicate that the member/candidate does not have net eligible means of at least

£ as at

Furthermore, nothing has come to my/our attention in the course of carrying out the verification procedures to indicate that it is unreasonable for him/her to have provided the confirmation set out in paragraphs 1 and 2 of the declaration on page 4.

Signature

Name.....

Position.....
on behalf of.....

Name of firm/bank/agent

Date.....

Firm/bank/agent and business address
(if a firm please state if accountants or solicitors)

.....

.....

.....

DECLARATION BY THE CO-ORDINATING AGENT

(not required if Agent has completed the above Means Verification)

To the Council of Lloyd's ("the Council")

We have examined the confirmation of net eligible means on page 7 and on the basis of our knowledge of the general and financial circumstances of the member/candidate, we are satisfied that it has been prepared in accordance with the requirements currently prescribed by, or issued under the authority of, the Council pursuant to the Membership Byelaw (No.17 of 1993) as amended.

Signature

Name

Title

Director/Partner

On behalf of

Name of company/partnership

Date

DETAILS OF NET ELIGIBLE MEANS

Assets comprising the total means required should be identified under the relevant headings below:

<u>Funds at Lloyd's at .../.../...</u> <u>in accordance with the restrictions and valuation methods</u> <u>in Appendices 5 & 6 of the Membership & Underwriting</u> <u>Conditions and Requirements (Means and Funds at</u> <u>Lloyd's) (Individual/Corporate Member)</u>	£	£	£
Lloyd's deposit (Non Life)	.....	
Lloyd's deposit (Life)	.....	
Personal reserve fund	.....	
Special reserve fund	.....	
Total funds at Lloyd's		(A)	
 <u>Other Assets Held at Lloyd's</u>			
Funds at Lloyd's in transit	.....	
Means guarantees/letters of credit	.....	
Total other Assets Held at Lloyd's		(B)	
 <u>Other Personal Wealth valued at .../.../...</u> <u>in accordance with the restrictions and valuation methods</u> <u>in Appendices 5 & 6 of the Membership and Underwriting</u> <u>Conditions and Requirements (Means and Funds at</u> <u>Lloyd's) (Individual/Corporate Member)</u>			
Debts securities, bonds and other money and capital market instruments	.....	
Shares and other variable yield participants	.....	
Holding in authorised unit trust schemes or recognised schemes or investment funds	.....	
Cash at bank and in deposits with credit instructions and building societies	.....	
Letters of credit	.....	
Guarantees	.....	

Verifiable sums arising out of life assurance policies	.....
Land and Buildings	.....
Gold	.....
Total Other Personal Wealth		(C).....

Other Eligible Means Assets
in accordance with Appendix I of the Membership &
Underwriting Conditions & Requirements (Means and
Funds at Lloyd's) (Individual/Corporate Member)

Liquid Assets		
Approved investments – UK	.....
Approved investments – other than UK	.....
Cash	.....
Life Policies	.....
Total Liquid Assets		(D).....

Property Assets (NOT EXCEED 40% OF THE LEVEL OF MEANS REQUIRED)

Freehold property and/or land	.....	.....
Leasehold property and/or land	.....	.....
Less: Any secured loans and mortgages	.....	(.....)
Total Property Assets	.....	(E).....

LIABILITIES

Other secured loans and mortgages	.....
Taxation liabilities	.....
Other loans and liabilities	.....
Contingent liabilities	.....

TOTAL LIABILITIES (F)(.....)

TOTAL OF NET ELIGIBLE MEANS (A+B+C+D+E - F) £

**GUIDANCE NOTES
CONFIRMATION OF NET ELIGIBLE MEANS
(INDIVIDUAL MEMBERSHIP)**

CONTENTS

1. General Notes
2. The role of the co-ordinating agent
3. Means verification procedures
4. Requirements applicable to all assets
5. Definitions
6. Supporting schedule for assets constituting not more than 40% of the required means level
7. Supporting schedule for inclusion of liabilities

GENERAL NOTES

Members/candidates should note that assets need only be included in this document to the extent that they are necessary to establish the member's/candidate's required means level and other personal wealth.

A member/candidate should ensure he/she has sufficient assets outside the scope of the confirmation to meet all other liabilities he/she may have.

Any queries relating to net eligible means and completion of the Confirmation of Net Eligible Means Form should be raised with the member's/candidate's co-ordinating agent.

Note: The member/candidate need not complete a Confirmation of Net Eligible Means Form if his FAL is greater than the means requirement but his agent should sign and retain a statement that his means requirements have been met by FAL.

THE ROLE OF THE CO-ORDINATING AGENT

- (i) In order to discharge his responsibilities, the co-ordinating agent will need to make himself aware of the financial circumstances of the member/candidate.
- (ii) The co-ordinating agent will explain the significance of the confirmation of net eligible means to the candidate/member and will ensure that he/she is fully aware of its importance and implications
- (iii) Adequate time should be given for completion of the confirmation by the member/candidate and for review by the authorised signatory.
- (iv) The co-ordinating agent will seek to satisfy himself that the information contained in the confirmation of net eligible means is consistent with his knowledge of the member/candidate.
- (v) In the case of an existing member, the co-ordinating agent should satisfy himself that all known losses deficiencies arising from the member's underwriting commitments are properly reflected in the confirmation
- (vi) The co-ordinating agent, after reasonable enquiry, should have no reason to suppose that, where applicable, the authorised signatory is ineligible or is not competent to give an independent opinion on the confirmation.

NOTES:-

If required the co-ordinating agent's declaration should be signed by a director/partner of the agency or a delegated named individual. In such circumstances, written notification (for example, a board minute) of such delegation should be lodged with the Members' Services Unit, at Lloyd's.

All queries relating to the confirmation should be raised by the co-ordinating agent with the Members Services Unit.

MEANS VERIFICATION PROCEDURES

The Council of Lloyd's places substantial reliance upon the verification procedures carried out by authorised signatories in connection with the confirmation of a member's/candidate's means. Inaccurate or incomplete information will be viewed seriously and may jeopardise the authorised signatory's position in relation to any other Lloyd's responsibilities.

The report should be dated when signed and the valuation date referred to in the report should not be more than 3 months prior to the date at which means are confirmed.

All authorised signatories are requested to read carefully the wording of the report they are asked to sign, the notes related thereto, and the details of assets that qualify for means test purposes prior to carrying out the appropriate tests and procedures to support their confirmation.

Specific procedures to be adopted in all cases include:

- Verification of the existence of assets by reference to title deeds, bank certificates, or other independent evidence, and, in the case of tangible assets, verification that adequate insurance arrangements are in force.
- Verification that the collateral supporting a guarantee/letter of credit is NOT the member's/candidate's principal residence (unless it was in existence at 31 December 1994).
- Independent verification of the valuation of assets by reference to a recognised source. All other funds at Lloyd's and other personal wealth must be valued at 30 June. All other eligible means assets must be valued at a consistent date as far as is practicable and if not practicable within a maximum of 3 months of the date on which means have been confirmed. An authorised signatory may accept a property valuation at an earlier date if he is satisfied the value would not have fallen between the date of the property valuation and the valuation date of all other assets.
- Other personal wealth assets must comply with the restrictions and valuation methods in Appendices 5 & 6 of the Membership and Underwriting Conditions and Requirements (Means & Funds at Lloyd's) (Individual/Corporate Members) enclosed.
- Other eligible means assets must comply with the restrictions in Appendix I of the Membership and Underwriting Conditions and Requirements, (Means & Funds at Lloyd's) (Individual/Corporate Members) enclosed.
- Independent confirmation that assets are beneficially owned without any encumbrance (assets charged to secure floating overdrafts or other similar facilities are not considered to be free and unencumbered and are therefore not eligible for inclusion in the confirmation).
- Independent confirmation, where practicable, of loans and other liabilities.
- Confirmation that material liabilities associated with taxation or any known litigation have been included in determining the net eligible means of the member/candidate.
- Discussion/communication with the member/candidate as to whether all material liabilities have been included in determining the net eligible means of the member/candidate.

Where an authorised signatory has any material reservation about matters which may, directly or indirectly, affect the confirmation of net eligible means, reference should be made in the first instance to the member's/candidate's co-ordinating agent and then, if appropriate, to the Members' Services Unit. In the event that it is not practicable to contact either the member's/candidate's co-ordinating agent or the Members' Services Unit, details should be provided as a supplement to the means verification.

Signatories must ensure that they are authorised to sign by reference to the categories set out on page 5.

Where an individual accountant, solicitor or officer signs as the representative of a firm, bank or agent, he is required to state clearly the name of the firm, bank or agent concerned.

REQUIREMENTS APPLICABLE TO ALL ASSETS

Exchange Control

Where restrictions apply, members/candidates must arrange for confirmation that any necessary exchange permission to transfer the relevant assets to the UK has been or will be granted.

Community property laws

If all or part of a member's/candidate's qualifying assets are subject to the Community Property Laws in force in certain American States (listed below), the value of such assets will be reduced by 50% for means purposes or a Community Property Commitment Agreement will be required from the spouse.

Relevant States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin.

DEFINITIONS

Approved credit institution

A current list of approved credit institutions is held by the Members' Services Unit.

Authorised signatory

The confirmation of net eligible means should be subject to a number of verification procedures by an authorised signatory who should be one of the following:

- (a) a partner on behalf of a practising firm of UK or chartered or certified accountants or their associated (including overseas) firms or accountants, or a UK chartered or certified accountant in sole practitioner holding one of the equivalent qualifications in any jurisdiction set out in the attached schedule.
- (b) a representative of a Lloyd's approved credit institution, list held by Members' Services Unit.
- (c) A partner in a practising firm of UK solicitors or their associated (including overseas) legal firms.
- (d) A tax specialist who is either an associate member or fellow at the Chartered Institute of Taxation.

The authorised signatory should satisfy himself that he is competent to give an **independent** opinion on the confirmation.

The signatory would not be regarded as independent if he is any one of the following:

- a member of the member's/candidate's immediate family e.g. spouse, mother, father, children, brother or sister; or
- a business partner, fellow director or employee of the member/candidate or his family.

SUPPORTING SCHEDULE FOR ASSETS CONSTITUTING NOT MORE THAN 40% OF THE REQUIRED MEANS LEVEL

(This schedule is intended to assist determine the amounts to be included in the confirmation of Net Eligible Means in respect of liabilities).

Freehold property and/or land (excluding own principal private residence)	Leasehold property and/or land (excluding own principal private residence)
Description of property/properties	Description of property/properties
.....
.....
.....
*Sole ownership/*Joint ownership under a tenancy-in-common agreement	*Sole ownership/*Joint ownership under a tenancy-in-common agreement
(*delete as applicable)	(*delete as applicable)
	Unexpired period of lease years
Market value as at	Market value as at
.....19.... £.....	.....19.... £.....
As per Confirmation of Net Eligible Means <u>£</u>	As per Confirmation of Net Eligible Means <u>£</u>

SUPPORTING SCHEDULE FOR INCLUSION OF LIABILITIES

Secured loans and mortgage:

Asset to which a secured loan or mortgage relate:

.....

Lender

Balance outstanding as at 19....

As per confirmation of
 Net Eligible Means

£

Other loans and liabilities

Details of loans and liabilities concerned:

.....

.....

Estimate/confirmation of liability as at

..... 19

As per Confirmation of
 Net Eligible Means

£

Taxation liabilities

Identify particular tax(es) concerned

.....

Details of basis on which estimate has been arrived at:

.....

Estimate as at 19

(date to which means have been confirmed)

As per Confirmation of
 Net Eligible Means

£

Contingent liabilities

Details of contingent liability:

.....

Estimate of likely liability as at

.....19

(date to which means have been confirmed)

As per Confirmation of
 Net Eligible Means

£

APPENDIX 10

Modifications to (and additional) conditions and requirements applying to successor vehicles which are bodies corporate or a Scottish Limited Partnership

1. These conditions and requirements shall be modified and/or added to in their application to successor vehicles which are bodies corporate or Scottish Limited Partnerships in the manner specified below:

Paragraph	Modification
Paragraph 8(1)	As though, for a qualifying successor vehicle, the words " in relation to a qualifying successor vehicle, for determining the amounts of the net funds at Lloyd's to be provided in accordance with paragraph (c) of Appendix 4 (corporate members) the value of any interavailable funds shall not be taken into account to the extent that they are used to meet the capital requirement of a participant in that successor vehicle in accordance with paragraph (c) of Appendix 2 (individual members)" were added at the end of the paragraph.
Appendix 4 (b)	As though, in the case of a private successor vehicle, that paragraph was deleted and the following paragraph inserted: "the lesser of (i) £100,000 multiplied by the number of participants who participate in that corporate member pursuant to a conversion scheme or private arrangement; (ii) £250,000; and (iii) an amount agreed by the Conversion Official."
Paragraph 12 (3)	Any individual member who wishes to participate in a successor vehicle pursuant to a conversion scheme or private arrangement for any subsequent year of account must have at least £25,000 in his Lloyd's deposit. For the purposes of this paragraph the amount in an individual member's Lloyd's deposit is the amount in that deposit after deducting: (i) any uncalled run-off deficiencies and uncalled closed year losses; (ii) any open year total of the individual member where this is negative; and (iii) an amount calculated by applying the formula $A \times B / (C + D)$ where "A" is any open year total of the individual member where this is negative, "B" is the individual member's overall premium limit for the preceding year of account, "C" is the individual member's overall premium limit for the year preceding B year of account (if any) and "D" is the individual member's overall premium limit for the year preceding C of account (if any).
Paragraph 5(k) Part 1 Appendix 5	As though, in the case of a qualifying successor vehicle, the words "except where it is a previously issued or confirmed letter of credit comprising directly or indirectly a security interest over a principal private residence and which requires to be re-issued on the interavailable

	format by a participant who participates in that corporate member pursuant to a conversion scheme or private arrangement" were added at the end of that paragraph.
Paragraph 6(i) of Part 1 Appendix 5	As though, in the case of a qualifying successor vehicle, the words "except where it is a guarantee made interavailable by a participant who participates in that corporate member pursuant to a conversion scheme or private arrangement comprising directly or indirectly a security interest over a principal private residence and which requires to be re-issued on the interavailable format " were added at the end of that paragraph.
Paragraph 15	Until such time as the last open year of a participant who participates in a corporate candidate, an SLP candidate, a corporate member or SLP member pursuant to a conversion scheme or private arrangement has been closed by reinsurance to close, the Lloyd's deposit made interavailable to that corporate candidate, SLP candidate, corporate member or SLP member by that participant shall be taken into account for the purposes of these conditions and requirements at the value which would have been attributed to that Lloyd's deposit under the conditions and requirements applicable to individual members and subject to such deductions as would have been required under those conditions and requirements.
Paragraph 15	31 December 1994 shall be the relevant valuation date for a guarantee or letter of credit made interavailable to a qualifying successor vehicle by a participant who participates in that qualifying successor vehicle pursuant to a conversion scheme or private arrangement where that guarantee or letter of credit has been issued on the basis that the collateral (if any) securing the repayment of any amounts payable under it comprises directly or indirectly a security interest over a principal private residence provided always that if that participant dies, such guarantee or letter of credit shall not be taken into account for the purposes of valuing the successor vehicle's funds at Lloyd's.
Paragraph 15 (2)	In the case of a qualifying successor vehicle under an interavailability arrangement and subject to paragraph 15 (2) (b), assets falling within Appendix 5 shall be valued at their mid-market closing price, bid price, market price or surrender value (as the case may be) determined in accordance with the provisions of that Appendix and, where appropriate, translated into sterling in accordance with the provisions of paragraph 4 of Appendix 6.
	Where an individual member has made his Lloyd's deposit interavailable to a qualifying successor vehicle and that deposit comprises investments or property which are not authorised investments then, if those investments or property are listed in Appendix 5, that qualifying successor vehicle may include them in any valuation of its funds at Lloyd's required to be made under these conditions and requirements prior to 31 December 2000 for any purpose other than the determination of its overall premium limit for the 2001 year of account

**BODIES
CORPORATE
ONLY**

Paragraph 11 1(a)	As though, in the case of a qualifying successor vehicle which is party to a transfer agreement, that paragraph had added to it the following items: "(iv) any uncalled run-off deficiencies and uncalled closed year losses of any individual member who has the benefit of reinsurance under a transfer agreement to which the corporate member is a party ("transferor"); and (v) any open year total of the transferor where this is negative.
Paragraph 15 (2)	In the case of a qualifying successor vehicle under an interavailability arrangement and subject to paragraph 15 (2) (b), assets falling within Appendix 5 shall be valued at their mid-market closing price, bid price, market price or surrender value (as the case may be) determined in accordance with the provisions of that Appendix and, where appropriate, translated into sterling in accordance with the provisions of paragraph 4 of Appendix 6.
	Where an individual member has made his Lloyd's deposit interavailable to a qualifying successor vehicle and that deposit comprises investments or property which are not authorised investments then, if those investments or property are listed in Appendix 5, that qualifying successor vehicle may include them in any valuation of its funds at Lloyd's required to be made under these conditions and requirements prior to 31 December 2000 for any purpose other than the determination of its overall premium limit for the 2001 year of account.

ORDER OF SETOFF (BODIES CORPORATE AND/OR SCOTTISH LIMITED PARTNERSHIPS)

The order in which the assets of a successor vehicle and those of participants participating in that successor vehicle are to be set-off to pay losses/cash calls and also for solvency purposes is set out in Schedule 1.

APPENDIX 10

SCHEDULE 1

Order of set-off of assets

Losses and deficiencies in Column A should be cleared first, then B, C , and finally Column D.

ASSETS	LIABILITIES			
	Successor vehicle's post conversion years		Participant's pre conversion years	
	Cash calls, called closed year losses and called run-off deficiencies	Open year total where this is negative/uncalled closed year losses and uncalled run-off deficiencies	Cash calls, called closed year losses and called run-off deficiencies	Open year total where this is negative/uncalled closed year losses and uncalled run-off deficiencies
	A	B	C	D
Closed year profits - participant			1	2
Closed year profits - successor vehicle	1	2		
Run-off year surplus - participant				1
Run-off year surplus - successor vehicle		1		
Special Reserve Fund			2	3
Personal Reserve Fund - not set aside			3	4
Participant's other personal wealth (excl Lloyd's)			4	5
Funds at Lloyd's - set aside			5	6
Funds at Lloyd's - interavailable	3	4	6	7
Funds at Lloyd's - successor vehicle	2	3		

APPENDIX 11

THE COMING INTO LINE TIMETABLE

DATE 1*	Members to sign and return syndicate lists to their members' agent.
DATE 2*	The coming into line date by which all members intending to underwrite in 2000 must have complied with the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Corporate/Individual members).
DATE 3*	Members' agents (compliance officer) must confirm that all members were 'in line' and had signed syndicate lists as at DATE 1. Direct corporate participants must confirm that they were in line by DATE 1.
DATE 4*	Members' agents to provide means data in electronic form for individual members. Members' agents to provide MSU with the funds at Lloyd's and capital requirement of each member expressed both in sterling and as a percentage of overall premium limits in electronic form. Members' agents to provide confirmation of those corporate members which qualify as private successor vehicles.

IMPORTANT NOTICE

These documents and electronic data submissions are important and must be returned by these prescribed dates. Any queries should be made, in the first instance to the Manager, Members' Funds Department.

* These dates will be prescribed by the Council for each year of account.

APPENDIX 12

MODIFICATIONS (AND ADDITIONAL) CONDITIONS AND REQUIREMENTS APPLYING TO CAPTIVE CORPORATE MEMBERS

Part 1

1. Security Provision in respect of the underwriting of group company insurance business

- (1) Every captive corporate member shall, by the coming-into-line date provide security of such amount as an authorised person may determine in relation to the aggregate risk exposure (as determined by the Society) of the captive syndicates through which the corporate member underwrites group company insurance business.
- (2) Subject to sub-paragraph (3) below the security referred to in paragraph (1) above shall be provided in the form of a Lloyd's deposit .
- (3) A captive corporate member may, with the prior written consent of an authorised person, wholly or partly in lieu of a Lloyd's deposit referred to in sub-paragraph (2) above, provide all or part of such proportion of the required security provision as exceeds the amounts to be provided as funds at Lloyd's determined in accordance with paragraph B of Schedule 1 to this Appendix, in the form of a covenant to provide further funds in the prescribed form, (a "Captive Corporate Member's Covenant to Pay") which covenant shall be guaranteed by one or more group companies of the captive corporate member acceptable to Lloyd's by means of a guarantee to the Society (a "Captive Corporate Member's Group Company") in the prescribed form.

Part 2

These conditions and requirements shall be modified or added to in their application to captive corporate members in the manner specified below:

Paragraph/Appendix	Modification/Addition
8(1)	<p>As though, in the case of a captive corporate member that paragraph were deleted and the following paragraph inserted -</p> <p>“Schedule 1 of Appendix 12 shall have effect in relation to all captive corporate members for determining the amount of net funds at Lloyd’s to be provided by a captive corporate member for any year of account after 1998.”</p>
9	<p>As though, in the case of a captive corporate member, the following sub-paragraph were added at the end of sub-paragraph (2) -</p> <p>“(3) Every captive corporate member who wishes to commence or to continue underwriting for a year of account shall determine a group company insurance business premium limit, and if that member underwrites or intends to underwrite third party insurance business, a third party insurance business limit for that year of account.”</p>
10	<p>As though, in the case of a captive corporate member, sub-paragraph (1) was deleted and the following new sub-paragraph substituted therefor –</p> <p>“Every captive corporate member shall by the coming-into-line date provide funds at Lloyd’s of an amount not less than the aggregate of -</p> <p>(a) the amounts determined under Appendix 12, Schedule 1, paragraph A (or such greater amount as may be set by an authorised person for that captive corporate member); and</p> <p>(b) the amounts determined under Appendix 12, Schedule 1, paragraph B (or such greater amount as may be set by an authorised person for that captive corporate member);</p> <p>such amount to be calculated in accordance with paragraph 15, but subject to the provisions of paragraph 12.”</p>
10(2)	<p>In sub-paragraph (b) as if the reference to Appendix 4 were a reference to Appendix 12, Schedule 1.</p>
10(3)	<p>As if the reference to Appendix 4 were a reference to Appendix 12 Schedule 1.</p>
11	<p>In the case of a captive corporate member paragraph 11 shall apply as if for references to “overall premium limit” there were substituted references to “third party business premium limit”.</p>
17	<p>As though an additional sub-paragraph (ii) was inserted as follows -</p> <p>“Save as (and to the extent) modified and provided by Appendix 12, these conditions and requirements shall apply to captive corporate members and captive corporate candidates as they apply to corporate members and corporate candidates in general.”</p>

Schedule 1 to Appendix 12

CAPTIVE CORPORATE MEMBER

REQUIRED FUNDS AT LLOYD'S

The required funds at Lloyd's for a captive corporate member shall be the higher of -

- (a) the aggregate of the amounts determined under paragraphs A and B below; or
- (b) (i) £0.5 million, for any captive corporate member incorporated in any jurisdiction other than any state of the United States; or
 - (ii) £1.5 million for a captive corporate member incorporated in any state of the United States.

A	<p>Required Minimum Funds at Lloyd's in Relation to Third Party Business</p> <p>35% of the aggregate of the captive corporate member's third party syndicate premium limit for the next following year of account or such other amount as may be set by an authorised person;</p>
B	<p>Required Minimum Amount of Security Provision in relation to Group Company Insurance Business to be Provided as Funds at Lloyd's</p> <p>The higher of-</p> <ul style="list-style-type: none">(a) 50% of the overall premium limit of the captive syndicates through which the corporate member underwrites group company insurance business or such higher amount as may be set by an authorised person; or(b) such amount as may be determined by calculating in respect of the aggregate group company insurance business of the captive corporate member the margin of solvency that would be required under requirements made under section 32 of the Insurance Companies Act 1982.

APPENDIX 1

Interpretation

1. Except where otherwise provided, the words and expressions used in these conditions and requirements have the meaning given to them in the Byelaw.
2. In these conditions and requirements:
 - (1) words and expressions importing the masculine gender include the feminine and neuter; and
 - (2) words in the singular include the plural and vice versa.
3. The headings in these conditions and requirements shall not affect the interpretation of these conditions and requirements.
4. In these conditions and requirements, unless the context otherwise requires -

approved charge means a fixed and floating charge in whichever of the forms set out at Appendix 36 is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7) of the Combined Requirements;

approved covenant means a deed of covenant in whichever of the forms set out at Appendix 35 is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7) of the Combined Requirements;

approved credit institution has the meaning given in the Combined Requirements;

approved custodian means a person approved by the Council to act as custodian in relation to a corporate candidate or a corporate member;

approved life assurance company has the meaning given in the Combined Requirements;

Auditor means a person having qualifications acceptable to the Council to act as auditor to a corporate candidate or a corporate member;

<i>authorised person</i>	means, in relation to any provision in these conditions and requirements, the Lloyd's Regulatory Board or any sub-committee thereof or any officer or employee of the Society authorised by the Lloyd's Regulatory Board to discharge the duties and functions or to exercise the powers and discretions specified in that provision;
<i>Byelaw</i>	means the Membership Byelaw (No. 17 of 1993);
<i>candidate partner</i>	means a person seeking to be admitted as a limited partner in the SLP;
<i>Combined Requirements</i>	means the conditions and requirements made under the Byelaw entitled "Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Members)" and for the time being in force;
<i>coming-into-line date</i>	means, in relation to a year of account ("Year A"), the date the Council may from time to time prescribe in the year of account immediately preceding Year A by which a member of the Society or a candidate must have provided its funds at Lloyd's if it is to be eligible to underwrite in Year A;
<i>connected person</i>	in relation to a participant, means: <ul style="list-style-type: none"> (a) a participant's spouse, his children and step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or (b) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (a) above; or (c) a body corporate of which the entire issued share capital is wholly-owned by the participant and/or one or more persons falling within (a) or (b) above;
<i>consortium syndicate</i>	has the meaning given in paragraph 18(1)(c);
<i>Conversion Rules</i>	means those rules so called and made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and for the time being in force;

<i>corporate candidate</i>	means a candidate which is not an individual;
<i>corporate member's syndicate list</i>	has the meaning given in paragraph 1(1) of the Agency Agreements Byelaw (No. 8 of 1988);
<i>Council</i>	means the Council of Lloyd's and includes its delegates and persons by whom it acts;
<i>country</i>	includes any state, province or territory;
<i>general partner</i>	means a company which is registered as a general partner of an SLP pursuant to the Limited Partnerships Act 1907;
<i>interavailability arrangement</i>	has the meaning given in the Conversion Rules;
<i>IMRO</i>	means Investment Management Regulatory Organisation;
<i>Legal Adviser</i>	means a person having qualifications acceptable to the Council to act as legal adviser to a corporate candidate or a corporate member;
<i>limited partner</i>	means an individual or company which is registered as a limited partner of an SLP pursuant to the Limited Partnerships Act 1907;
<i>management company</i>	means a company appointed by the general partner under an agreement to provide certain management or administrative services;
<i>MAPA</i>	means a members' agent pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No. 8 of 1988);
<i>Membership Agreement (corporate member)</i>	has the meaning given in paragraph 6(1)(a);
<i>ongoing natural syndicate</i>	has the meaning given in paragraph 18(1)(b);
<i>parallel syndicate</i>	has the meaning given in paragraph 18(1)(b);
<i>participant</i>	has the meaning given in the Conversion Rules;
<i>partner</i>	means a general partner or limited partner as the case may be;
<i>private arrangement</i>	has the meaning given in the Conversion Rules;
<i>private successor vehicle</i>	means a qualifying successor vehicle under a

private arrangement or promoted private arrangement where participants and/or any connected person, either:

- (a) in relation to a qualifying successor vehicle which is a body corporate, hold shares in that body corporate which represent:
 - (i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and
 - (ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or
- (b) in relation to a qualifying successor vehicle which is an SLP, are entitled to:
 - (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and
 - (ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up of the SLP;

promoted private arrangement has the meaning given in the Conversion Rules;

qualifying successor vehicle means a successor vehicle under an interavailability arrangement or a transition arrangement under which, in either case, not less than 75 per cent. of the successor vehicle's funds at Lloyd's are provided directly or indirectly by the participants;

Relevant Person means:

- (a) for the purposes of sub-paragraphs 5(2), 5(3), 5(4), 5(5), 9(1)(a), 11(1)(b), 11(2), 13(4), 15(1), 15(2) and the footnote to sub-

paragraph 16(2)(b), the General Manager Authorisation Department, Underwriting Agents or the Manager Authorisation Department, Underwriting Agents;

(b) for the purposes of sub-paragraph 16(1), 16(2) and 16(4), the Managing Director Members' Services Unit or the General Manager Members' Financial Services;

(c) for the purposes of sub-paragraphs 6(1)(m), 6(1)(n), 6(1)(o), 13(1)(h), 13(1)(i), 13(1)(j), 14(1)(c), 20(1), and 20(2) the General Manager Members' Financial Services, the Manager Members' Funds Department, the General Manager Authorisation Department, Underwriting Agents or the Manager Authorisation Department Underwriting Agents;

relevant US candidate

means a corporate candidate -

(a) incorporated in any state of the United States of America; and

(b) having shareholders who include citizens or residents of the United States of America;

resigning partner

means a limited partner who has given a notice of resignation which has yet to take effect;

Scottish limited partnership or SLP

means a limited partnership formed in Scotland under the Limited Partnerships Act 1907;

security provision

in relation to a captive corporate candidate or captive corporate member, has the meaning given in the Combined Requirements;

single member

has the meaning given in paragraph 18(1)(b);

SLP candidate

means a Scottish limited partnership, or a partnership which is in the course of formation as a Scottish limited partnership, in respect of which an application for admission as a member of the Society is being made (and "***candidate***" shall be construed accordingly);

SLP member

means a member of the Society which is a Scottish limited partnership;

<i>Society</i>	means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's;
<i>Sponsor</i>	means a person approved by the Council to act as sponsor to a corporate candidate or a corporate member;
<i>successor vehicle</i>	has the meaning given in the Conversion Rules;
<i>transition arrangement</i>	has the meaning given in the Conversion Rules;
<i>underwriting agent</i>	means a managing agent or a member's agent;
<i>year of account</i>	means an accounting year at Lloyd's currently the calendar year.

5. For the purposes of these conditions and requirements, a year of account of a syndicate shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect; and a year of account shall be treated as open until it is closed.

APPENDIX 2

Approved Jurisdictions

A corporate member or a corporate candidate may be created, formed or incorporated in one of the following jurisdictions -

any member state for the time being of the European Community;

any state or territory of Australia;

Bermuda;

British Virgin Islands;

Guernsey;

Hong Kong;

Iceland;

Isle of Man;

Japan;

Jersey;

Mauritius;

Netherlands Antilles;

New Zealand;

Norway;

Republic of South Africa;

Singapore;

Switzerland;

any state of the United States of America.

APPENDIX 3
Application Documents

1. Membership Agreement (corporate member) in whichever of the forms set out at Appendix 6 is applicable in the circumstances.
2. Subject to paragraph 5(4), opinion(s) of Legal Adviser(s) in whichever of the forms set out at Appendix 7 is applicable in the circumstances, in each case accompanied by a letter from the Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of opinion.
3. Sponsor's Questionnaire and Undertaking in the form set out at Appendix 8.
4. The corporate candidate's certificate of incorporation, constitutional document(s) and any shareholders' agreements relating to the corporate candidate (and, if so requested by an authorised person, to any holding company) and, if the originals are not in English, a translation into English certified as accurate by the corporate candidate's Legal Adviser or a notary public approved by the Council.
5. All marketing material issued by the corporate candidate containing any invitation to acquire investments in the corporate candidate or containing information calculated to lead to persons to do so.
6. A questionnaire on fitness and propriety from each director of the corporate candidate who is neither a registered individual under the Individual Registration Byelaw (No. 3 of 1998) nor a member of the Society in whichever of the forms set out at Appendix 9 is applicable in the circumstances.
7. A questionnaire on fitness and propriety from each controller of the corporate candidate in whichever of the forms set out at Appendix 9 is applicable in the circumstances.
8. A group structure chart showing and identifying -
 - (a) all the controllers of the corporate candidate; and
 - (b) all the companies controlled by a controller of the corporate candidate, including details of shareholding/ownership structure and principal activities of all companies and partnerships involved.
9. Managing agent's confirmation relating to introductory commissions in the form set out at Appendix 10.
10. Lloyd's adviser's/members' agent's confirmation(s) relating to introductory commissions and syndicate selection in the form set out at Appendix 11.
11. Corporate member's syndicate list, but only if the corporate candidate is required to provide one by paragraph 6(1)(j).
12. Power of Attorney and Declaration of Representative (Form CM35B) in the form set

out at Appendix 12.

13. United States Federal Income Tax Questionnaire (Corporate Member) (Form CM36) in the form set out at Appendix 12 with such amendments (if any) as an authorised person may approve.
14. Application for Employer Identification Number (SS-4) in the form set out at Appendix 12.
15. US Tax Agreement (Corporate Member) in the form set out at Appendix 13 with such amendments (if any) as an authorised person may approve.
16. Combined Substitute Form W-8- Certificate of Foreign Status and Substitute Form W-9- Request for Taxpayer Identification Number and Certification in the form set out at Appendix 12.
17. Drafts of any relevant custody and investment management agreements.
18. Subject to paragraph 5(4), an auditors' undertaking in the form set out at Appendix 14 accompanied by a letter from the corporate candidate's Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of undertaking.
19. Where a request is being made for the corporate candidate's accounts to be prepared otherwise than in accordance with Part VII of the Companies Act 1985 or legislation of a member state of the European Community implementing the Fourth Council Directive on Company Law (78/660/EEC), a statement of accounting policies and practices proposed to be used.
20. Notice of Provision of the Lloyd's Deposit in whichever of the forms set out at Appendix 15 is applicable in the circumstances.
21. Where all or part of the corporate candidate's funds at Lloyd's is to comprise a letter of credit or guarantee, subject to paragraph 5(4) and if requested by an authorised person, an opinion from a legal adviser to the approved credit institution or approved life assurance company providing the letter of credit or guarantee in the form set out at Appendix 16 accompanied by a letter from the corporate candidate's Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of opinion.

APPENDIX 4
Registration of Charges

1. Deposit Trust Deed (general business form) DTD (CM) G 93 (CM 121)
2. Deposit Trust Deed (long term business form) DTD (CM) L 93 (CM 122)
3. Deposit Trust Deed (third party) (general business form) DTD (CM) (TP) G 93 (CM 125)
4. Deposit Trust Deed (third party) (third party depositor) (general business form)
5. Deposit Trust Deed (third party) (long term business form) DTD (CM) (TP) L 93 (CM 126)
6. Deposit Trust Deed (third party) (third party depositor) (long term business form)
7. Security and Trust Deed (letter of credit and bank guarantee) (general business form) STD (CM) G 93 (CM 123)
8. Security and Trust Deed (letter of credit and bank guarantee) (long term business form) STD (CM) L 93 (CM 124)
9. Security and Trust Deed (Parent Company Covenant) STD (CM) (PCC) 93 (CM 127)
10. Security and Trust Deed (Direct Covenant) STD (CM) (DC) 94 (CM 128)
11. Security and Trust Deed (Parent Company Covenant) (third party depositor)
12. approved charge
13. Premiums Trust Deed (general business form) PTD G 99 (MEM 556)
14. Premiums Trust Deed (long term business form) PTD L 99 (MEM 557)
15. Deed of Adherence (general business form) (CM 403 (DTD) or CM 405 (STD) or CM 413 (STDI))
16. Deed of Adherence (long term business form) (CM 423 (DTD) or CM 425 (STD))
17. Lloyd's American Trust Deed (general business form)
18. Lloyd's American Trust Deed (long term business form)
19. Lloyd's Canadian Trust Deed
20. Membership Agreement (corporate member) MA (E&W) or MA (FOR)
21. Lloyd's American Instrument 1995 (General Business of Corporate Members)

22. Lloyd's United States Situs Surplus Lines Trust Deed
23. Lloyd's United States Situs Credit for Reinsurance Trust Deed
24. Lloyd's American Surplus or Excess Lines Insurance Joint Asset Trust Deed
25. Lloyd's American Credit for Reinsurance Joint Asset Trust Deed
26. Lloyd's Kentucky Trust Deed
27. Lloyd's Kentucky Joint Asset Trust Deed
28. Deed of Accession to Lloyd's United States Situs Surplus Lines Trust Deed
29. Deed of Accession to Lloyd's United States Situs Credit for Reinsurance Trust Deed
30. Deed of Accession to Lloyd's American Surplus or Excess Lines Insurance Joint Asset Trust Deed
31. Deed of Accession to Lloyd's American Credit for Reinsurance Joint Asset Trust Deed
32. If so required by notice in writing given by an authorised person, any other applicable Overseas Direction (as defined in either the general business form or the long term business form of the Premiums Trust Deed) which has been given

MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS

(MEANS AND FUNDS AT LLOYD'S)

(INDIVIDUAL/CORPORATE MEMBER)

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(MEANS AND FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

ARRANGEMENT OF PARAGRAPHS

PART A - PRELIMINARY

1. Interpretation

PART B – MEANS REQUIREMENT

2. Means requirements
3. Provision and maintenance of net eligible means
4. Valuation of net eligible means, acceptable means assets and deductible liabilities
5. Valuation of acceptable means assets
6. Verification of net eligible means
7. Means - responsibilities of members' agent

PART C – OVERALL PREMIUM LIMITS AND NET FUNDS AT LLOYD'S

8. Net funds at Lloyd's
9. Overall premium limits

PART D - FUNDS AT LLOYD'S

10. Provision and maintenance of funds at Lloyd's
11. Liabilities to be taken into account in calculating net funds at Lloyd's
12. Maintenance of deposit
13. Reduction in value of funds at Lloyd's
14. Funds at Lloyd's - investment criteria and acceptable assets
15. Funds at Lloyd's - calculation and valuation
16. Funds at Lloyd's - Covenant & Charge – Corporate Member
17. Funds at Lloyd's - Restriction on Mortgage – Corporate Member

PART E - ADDITIONAL UNDERWRITING REQUIREMENTS

18. Modifications to Conditions and Requirements.
19. Solvency shortfall
20. Requests for funds
21. Power of Attorney

22. Lloyd's Regulatory Board

PART F - SUPPLEMENTAL AND COMMENCEMENT

23. Exemptions

24. Member's Agent Confirmation Form

25. Accredited Investor – Individual Members.

26. Prescribed Forms

27. Commencement

APPENDICES

1. Net eligible means
2. Underwriting as an individual member
3. Member's partially converting to a corporate vehicle
4. Underwriting as a corporate member
5. Funds at Lloyd's
6. Determination of the market value of Funds at Lloyd's
7. Interpretation
8. Member's Confirmation Form
 - (a) Part 1 – Member's Agent
 - (b) Part II – no Member's Agent
9. Confirmation of net Eligible Means.
10. Modifications to Conditions and Requirements applying to Successor Vehicles
 - (a) Schedule 1 – body corporate
 - (b) Schedule 2 – Scottish Limited Partnership
 - (c) Schedule 3 – order of set-off of assets.
11. The Coming into Line Timetable
12. Captive Corporate Members
13. Lloyd's Legal Act Opinion

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(MEANS AND FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

The Prudential Supervision Committee ("PSC") acting pursuant to paragraph 3(I) (vii) of the PSC terms of reference dated 25 January 1999 and more specifically pursuant to the Council's powers set out in paragraphs 3, 20 and 53 of the Membership Byelaw (No. 17 of 1993) and in exercise of any and every power it enabling HEREBY PRESCRIBES the following conditions and requirements.

PART A - PRELIMINARY

1. Interpretation

The provisions of Appendix 7 (interpretation) shall have effect.

PART B – MEANS REQUIREMENT – INDIVIDUAL MEMBERS ONLY

2. Means

Subject to (a) below Appendix 2 shall have effect, in relation to all individual members and individual applicants for membership of the Society, for determining the amounts of net eligible means to be provided by an individual member for any year of account after 1999 by reference to the overall premium limit determined by him for that year of account:

- (a) where a member wishes to continue to underwrite on an unlimited basis and to partially convert to a single corporate vehicle or more than one corporate vehicle for 2000 or any subsequent year of account when Appendix 3 shall have effect.

3. Provision and maintenance of net eligible means

- (1) Subject to sub-paragraph (2) below no individual member shall underwrite insurance business for a year of account unless as at the coming into line date for that year of account or such other date as may be prescribed he possesses net eligible means of an aggregate value not less than £250,000 as specified in Appendix 2 in relation to his overall premium limit for that year of account.
- (2) Sub-paragraph (1) above shall not apply if the member provides his full capital requirement in the form of FAL .
- (3) An individual member shall not, during any calendar year corresponding to a year of account for which he is underwriting, by any voluntary act or omission effect or permit any reduction in the aggregate value of his net eligible means below the amount required by sub-paragraph (1) in relation to that year of account, save to meet his Lloyd's obligations.

- (4) An individual member whose net eligible means are reduced in value below the amount required by sub-paragraph (1) during the calendar year corresponding to the year of account concerned shall take all reasonable steps to restore them to not less than the required amount not later than the coming into line date next following such reduction.
- (5) An individual member who becomes aware that his net eligible means have been reduced in value below the amount required by sub-paragraph (1) during the calendar year corresponding to the year of account concerned shall forthwith inform his members' agent and the Manager of the Members' Funds Department in writing of such reduction.

4. Valuation of net eligible means, acceptable means assets and deductible liabilities

- (1) The value to be attributed to an individual member's net eligible means for the purposes of these conditions and requirements is the aggregate value of his acceptable means assets less the aggregate value of certain liabilities referred to in sub-paragraph (2)(b).
- (2) Appendix 1 shall have effect -
 - (a) for specifying acceptable means assets and the proportions and the manner in which they are to be held, and for determining their valuation; and
 - (b) for specifying liabilities which are to be deducted from acceptable means assets in calculating a member's net eligible means, and for determining the valuation of such liabilities.
- (3) In relation to the Other Personal Wealth (OPW) element of net eligible means the categories of assets which are acceptable for FAL and the determination of the market value of FAL set out in Appendices 5 and 6 shall have effect as if OPW were FAL.

5. Valuation of acceptable means assets

- (1) Subject to sub-paragraphs (2), (3) and (4), for the purposes of this Part B (means requirements) all acceptable means assets of a member shall be valued as far as is practicable on the same date and if not practicable within 3 months before the date at which means are confirmed.
- (2) Interests in real property or in life policies shall be valued not more than three months before the date at which a member's net eligible means are confirmed.
- (3) An authorised signatory may accept a real property valuation made at a date earlier than that specified in sub-paragraph (2) provided that he is satisfied that the value of the property has not reduced between the valuation date and the date at which all other acceptable means assets of the member or candidate were valued.

- (4) FAL used as means shall be valued at the FAL valuation date.
- (5) In relation to the OPW element of acceptable means assets which are not FAL, categories of assets which are acceptable for FAL and the determination of the market value of FAL set out in Appendices 5 and 6 shall have effect, as if OPW were FAL.

6. Verification of net eligible means

- (1) It shall be a condition of admission to membership of the Society that a candidate provides his members' agent or where he has more than one members' agent his co-ordinating agent with a written certificate (in the form set out in Appendix 9) complying with this paragraph confirming that the candidate possesses net eligible means of not less than the amount required by paragraph 3(1).
- (2) A member shall -
 - (a) by each coming into line date; or
 - (b) within 14 days of receiving a written request to do so,provide his members' agent or where he has more than one members' agent his co-ordinating agent with a confirmation of net eligible means confirming (in the form set out in Appendix 9) that his current net eligible means are not less than the minimum amount referred to in paragraph 3(1).
- (3) Sub-paragraph (2) shall not apply if the member has sufficient funds at Lloyd's to satisfy the means requirements.
- (4) Any certificate provided for the purposes of sub-paragraph (1) or (2) shall -
 - (a) be signed by the candidate or member (as the case may be) and contain a statement signed by an authorised signatory that he has reviewed the confirmation of net eligible means of the candidate or member in accordance with the procedures mentioned in sub-paragraph (5); and
 - (b) contain a statement by the candidates or member's members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) that it has examined the confirmation of net eligible means and on the basis of its knowledge of the general and financial circumstances of the candidate or member it is satisfied that such confirmation has been prepared in accordance with these conditions and requirements.
- (5) An authorised signatory shall not sign such a certificate unless -

- (a) he has verified the existence of the assets concerned by reference to the appropriate title deeds, bank certificates or other appropriate independent evidence and, in the case of tangible assets, has verified that adequate insurance arrangements are in force;
 - (b) he has received independent verification that the assets have been valued in accordance with paragraph 5;
 - (c) he is satisfied (and has received such independent confirmation as is reasonably available) that assets are beneficially owned by the candidate or member without any encumbrance;
 - (d) he has received such independent confirmation as is reasonably available of loans to and other liabilities of the candidate or member, including material liabilities associated with taxation or any known litigation; and
 - (e) he has discussed with the candidate or member whether all material liabilities have been included in the certificate determining the candidate's or member's net eligible means.
- (6) Where an authorised signatory has any reservation about matters which may, directly or indirectly, effect the value of a candidate's or member's net eligible means, he shall bring the matter to the attention of the candidate's or member's members' agent and then, if appropriate, to the attention of the Members' Funds Department.

7. Means - responsibilities of members' agent

- (1) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall explain to each candidate and individual member for whom it acts or will be acting as such the importance and implications of the obligations of the candidate or member under these requirements.
- (2) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall ensure that it gives reasonable time to each candidate or member for whom it acts as such to compile all necessary information and produce all supporting information in relation to the valuation of his net eligible means and gives reasonable time to the proposed authorised signatory to enable him to fulfil his responsibilities in relation to the confirmation of the valuation of those net eligible means.
- (3) Where an individual member complies with the means requirement by virtue of his funds at Lloyd's that individual member's members' agent must record the fact by signing a statement to that effect. This statement must be retained by the members' agent on file and be available for later inspection.

- (4) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall in the case of each individual member for whom it acts as such, satisfy itself that all ascertained losses and open year deficiencies of that individual member arising from his underwriting business at Lloyd's are properly taken into account in any calculation of his net eligible means for the purposes of this Part B (means requirements).
- (5) A members' agent, or as the case may be, the co-ordinating agent, shall, upon being required to do so by the General Manager, Monitoring have any calculation made in confirming the member's or candidate's net eligible means audited by a recognised auditor.

PART C – OVERALL PREMIUM LIMITS, CAPITAL REQUIREMENT AND NET FUNDS AT LLOYD'S

8. Net funds at Lloyd's

- (1) Appendix 2 (individual members) and Appendix 4 (corporate members) shall have effect, in relation to every individual member and corporate member or applicant for membership of the Society, for (a) determining the capital requirement for individual members; and (b) the amounts of net funds at Lloyd's to be provided by an individual and/or corporate member for any year of account.
- (2) The SRF may not be used to cover the first 30% of OPL of a member's capital requirement for the 2000 and subsequent years of account but may be used to cover the balance of a member's capital requirement provided that the SRF is counted as the full OPW requirement (equal to 5/45ths of the member's capital requirement) in priority to being used to cover the remainder of the capital requirement.

9. Overall premium limits

Every member who wishes to commence or to continue underwriting for a year of account shall determine an overall premium limit, and, if that member wishes to underwrite long term business, a general business premium limit and a long term business premium limit, for that year of account.

PART D - FUNDS AT LLOYD'S

10. Provision and maintenance of funds at Lloyd's

No member shall underwrite insurance business for a year of account unless at the coming-into-line date he maintains FAL of aggregate value not less than the percentages set out in sub-paragraphs (a) and (b) -

- (a) for an individual member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 2 or 3 as the case may require; and
 - (ii) certain liabilities in respect of his underwriting business specified in, and valued in accordance with, paragraph 11.
 - (b) for a corporate member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 4; and
 - (ii) certain liabilities in respect of its underwriting specified in, and valued in accordance with, paragraph 11.
- (2) No member shall underwrite long term insurance business for a year of account, or, having underwritten long term business as a member of a syndicate for any year of account for the time being remaining open, underwrite general business, unless, at the coming into line date for the new year of account, the member maintains separate funds at Lloyd's exclusively for the member's general business and for the member's long term business respectively and in each case those funds are of aggregate value not less than the aggregate of -
- (a) for an individual member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 2 or 3 as the case may be, as modified by sub-paragraph (3); and
 - (ii) certain liabilities in respect of that general business or long term business specified in, and valued in accordance with, paragraph 11.
 - (b) for a corporate member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 4, as modified by sub-paragraph (3); and
 - (ii) certain liabilities in respect of that general business or long term business specified in, and valued in accordance with paragraph 11.
- (3) For the purpose of calculating the proportions to be borne by either a member's net funds at Lloyd's exclusively maintained for the member's general business or the member's long term business to the member's general business premium limit or to the member's long term business premium limit respectively, Appendix 2 or 3 for individual members and Appendix 4 for corporate members as the case may be, shall apply as if for references to

"overall premium limit" there were substituted references to "general business premium limit" or "long term business premium limit" respectively.

11. Liabilities to be taken into account in calculating net funds at Lloyd's

- (1) The liabilities to be deducted from the value of a member's funds at Lloyd's for the purpose of calculating his net funds at Lloyd's are -

Individual member or corporate member

- (a) in relation to general business of any individual or corporate member allocated to 1993 or any subsequent years of account -
- (i) liabilities in respect of any request for funds made by the managing agent of a syndicate;
 - (ii) any uncalled run-off deficiencies and uncalled closed year losses;
 - (iii) open year solvency deficiencies excluding open year deficiencies of less than £250 on any MAPA participation, but only to the extent they exceed the aggregate of the value of any open year solvency surpluses.

Provided that no such deduction need be made to the extent that the member has paid monies into the relevant premiums trust funds to fund the relevant loss or deficiencies.

Individual member

- (b) in relation to general business of any individual member allocated to 1992 or any earlier year of account -
- (i) liabilities after taking into account the total of any applicable credits set out in the finality bill, including any estimated personal stop loss recovery if set off against the total liabilities as set out in the finality statement;
 - (ii) any other liabilities owed and unpaid pursuant to the terms of the Settlement Agreement in the case of an accepting member and any other liabilities, if any, in the case of a non-accepting member;

Corporate member

- (2) (a) In the case of a corporate member where a corporate member is a connected company with one or more other corporate members, if the result reached by combining the open year totals of that corporate member and each connected company is positive, the items referred to

in sub-paragraph 1(a)(iii) need not be deducted if the Council so permits.

- (b) As a condition of or in connection with the granting of permission under sub-paragraph (a), the Council may require such undertakings as may appear to it necessary or expedient from either or any of (i) the corporate member, (ii) each connected company and (iii) the investment company which provides the funds at Lloyd's of that corporate member.
- (3) The value of any interavailable funds shall be included in the value of the successor vehicle's funds at Lloyd's; provided that, to the extent that the interavailable funds are earmarked for the participant to cover any relevant liabilities those earmarked funds will not be relied upon when determining the overall premium limit for the successor vehicle.
- (4) Sub-paragraph (1) shall apply for the purpose of calculating the value of a member's net funds at Lloyd's in relation to the member's general business premium limit and to the member's long term business premium limit respectively as well as the member's overall premium limit; and
- (a) references to liabilities, run-off deficiencies, closed year losses, open year solvency surpluses and open year solvency deficiencies shall be taken to be references to liabilities, run-off deficiencies, closed year losses and open year solvency surpluses in respect of the member's general business or long term business, as the case may be; and
 - (b) for the purpose of calculating the amount of liabilities to be deducted in accordance with sub-paragraph (1) in respect of the member's general business and long term business respectively, the member or the member's members' agent where relevant, shall apportion any anticipated personal stop loss recoveries between such classes of business.

12. **Maintenance of deposit**

- (1) No member shall underwrite general business unless that member has executed
- (a) a Lloyd's deposit trust deed or a Lloyd's security and trust deed; and
 - (b) a premiums trust deed

each in the form for the time being prescribed and that member maintains a Lloyd's deposit in accordance with these conditions and requirements and the provisions of the documents set out in (a) and (b) above.

- (2) No member shall underwrite long term business unless that member has executed
 - (a) a Lloyd's deposit trust deed for long term business or a Lloyd's security and trust deed for long term business; and
 - (b) a premiums trust deed for long term business

each in the form for the time being prescribed and that member maintains a Lloyd's life deposit not less than £1,000 in value in accordance with these conditions and requirements and the provisions of the documents set out in (a) and (b) above.

corporate member

- (3) Unless an authorised person otherwise agrees in writing, not less than 15 per cent. of the aggregate value of the corporate member's Lloyd's life deposit and not less than 15 per cent. of the aggregate value of the corporate member's funds at Lloyd's (less its Lloyd's life deposit) shall be held under the terms of a permitted deed.
- (4) A corporate member which is a subsidiary of an investment company may, wholly or partly in lieu of the forms of Lloyd's deposit referred to in sub-paragraph (1), provide a Lloyd's deposit in one or both of the following forms set out in sub-paragraphs (a) and (b) and may provide a Lloyd's life deposit in the form set out in (b) -
 - (a) an approved covenant by the investment company secured by an approved charge over a property by the investment company and subject, if so agreed between the investment company and an authorised person, to a master agreement in the prescribed form, such approved covenant and approved charge being entered into together with such custody agreements, investment management agreements and other supporting agreements as may be requested by an authorised person;
 - (b) any sums and investments provided by the investment company and held under the terms of a Lloyd's Deposit Trust Deed (Third Party) in the prescribed form.
- (5) With the prior written consent of an authorised person, the funds at Lloyd's of a corporate member (whether or not a subsidiary of an investment company) may be provided by a third party in the manner described in sub-paragraph (4)(a) or (b) in which case references in sub-paragraphs (4)(a) and (b) to "an investment company" shall be construed as references to that permitted third party.
- (6) Where an authorised person gives his consent under sub-paragraph (5), he may require any one or more of the following to be given:

- (a) a FAL Provider Declaration and Undertaking in the prescribed form;
 - (b) a Lloyd's Act Legal Opinion in the prescribed form; and/or
 - (c) a Significant FAL Provider Undertaking in the prescribed form.
- (7) With the prior written consent of an authorised person, the Lloyd's deposit of a corporate member which is not a subsidiary of an investment company may be provided in the manner described in sub-paragraph (4)(a) by the corporate member itself in which case references in that sub-paragraph to "an investment company" shall be construed as references to that corporate member.
- (8) Every corporate member shall pay, transfer or provide to the Society or, subject to the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member), an approved custodian, any sums or investments forming part of its Lloyd's deposit and, where appropriate, Lloyd's life deposit to be held by or on behalf of the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed and, subject to receiving the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member) enter into (or only where another person is to provide its Lloyd's deposit or its Lloyd's life deposit, procure such other person to enter into), as appropriate -
- (i) a Lloyd's deposit investment management agreement in whichever of the forms set out at Appendix 27 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve; and/or
 - (ii) a Lloyd's deposit custody agreement in which ever of the forms set out at Appendix 28 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve;

13. Reduction in value of funds at Lloyds

- (1) (a) No member shall by any voluntary act or omission effect or permit any reduction in the value of that member's Lloyd's deposit or Lloyd's life deposit or in that member's other funds at Lloyd's below the amount which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to that member's overall premium limit for any year of account which for the time being remains open, save for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held.

- (b) Without prejudice to sub-paragraph (2), where in relation to any year of account ("year 2") an individual member or a corporate member wishes to maintain an overall premium limit at the same level as that applicable in relation to the immediately preceding year of account ("year 1"), any diminution in value of that member's funds at Lloyd's used to calculate that member's overall premium limit for year 1 shall be disregarded to the extent that the individual or corporate member provides further assets or monies by way of funds at Lloyd's by the coming-into-line date falling within the year corresponding to year 1.
- (1) Where at any time during the course of a year the value of a member's Lloyd's deposit or Lloyd's life deposit or other funds at Lloyd's has reduced below the value used to calculate the member's overall premium limit for the year of account corresponding to that year (the "required value") whether by virtue of:
 - (a) a withdrawal for the purposes of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held; or
 - (b) a diminution in value of any assets or monies comprised in the member's funds at Lloyd's by more than 10 per cent of the required value

the individual member by his member's agent or the corporate member (by its member's agent if it has one) shall notify the Relevant Person and shall, unless otherwise permitted by an authorised person, make good the deficiency within 28 days of the deficiency arising.

- (3) Where a member is a non-underwriting member and the value of that member's Lloyd's deposit or other funds at Lloyd's has reduced below the value which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to that member's overall premium limit for any year of account which for the time being remains open by virtue of a withdrawal for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held, that member (by its members' agent if it has one) shall notify the Relevant Person and shall, unless permitted by an authorised person, make good the deficiency within 28 days of the deficiency arising.

14. Funds at Lloyd's – investment criteria and acceptable assets

- (1) The monies and assets comprising an individual member's or corporate member's funds at Lloyd's (except for any non-qualifying assets held in a personal reserve fund of an individual member, if relevant) may be invested in the purchase of any asset or property listed in Appendix 5 ("authorised assets") or, where an authorised person so directs, in the purchase of any of a list of authorised assets specified in writing by him.
- (2) A corporate member may, with the prior written consent of an authorised person, cause or permit part of its funds at Lloyd's to be invested in

instruments other than authorised assets for the purposes of hedging against foreign currency exposure and shall comply with any restrictions imposed by the terms of any such consent. Any application for such consent shall be made in writing to the Relevant Person.

15. Funds at Lloyd's : calculation and valuation

- (1) Subject to paragraph 13 for all members and to paragraph 16 for corporate members only the assets and monies comprised in a candidate's or member's funds at Lloyd's shall be taken into account for the purposes of these conditions and requirements at their respective market values as at the relevant valuation date. Where assets are received after the valuation date those assets shall be valued at the date on which they were paid or transferred to the trust fund concerned.
- (2) Except where otherwise provided in these conditions and requirements, the market value of the assets and monies within a member's funds at Lloyd's shall be determined for the purposes of these conditions and requirements as follows -
 - (a) assets falling within paragraph 2 and 3 of Appendix 5 shall be valued at their mid-market closing price, bid price, market price or surrender value (as the case may be) determined in accordance with the provisions of those paragraphs and, where appropriate, translated into sterling in accordance with the provisions of paragraph 3 of Appendix 6;
 - (b) the following monies and assets shall be valued by applying the exchange rate determined in accordance with the provisions of paragraph 3 of Appendix 6:
 - (i) letters of credit and guarantees payable in an approved foreign currency; and
 - (ii) cash balances held in an approved foreign currency.

16. Covenant and Charge – corporate members

- (1) For the purposes of these conditions and requirements the value at any time of a Lloyd's deposit provided in the form of an approved covenant and an approved charge shall be taken to be whichever is the lesser of -
 - (a) the maximum sum which may at that time be demanded under the approved covenant given in respect of or by the relevant member (after taking account of any sums already paid under that approved covenant); and
 - (b) the value at that time attributable to the relevant member of the authorised assets which are subject to the fixed charges granted to the Society under the approved charge by way of security for the

performance of the approved covenant referred to in (a) above and of any other approved covenants secured by the approved charge.

- (2) The value of the authorised assets which are subject to the fixed charges granted to the Society under an approved charge ("the mortgaged assets") shall be attributed to the corporate members in respect of which the approved covenants secured by that approved charge are provided ("the relevant members") as follows -
 - (a) when the approved covenants are first provided, such value shall be attributed to the relevant members in proportion to the respective nominal values of the approved covenants provided in respect of each of them;
 - (b) any increase or decrease in the value of the mortgaged assets between the time referred to in (a) above and the first adjustment event (as defined in sub-paragraph (3)) shall be attributed to the relevant members in the proportions referred to in (a) above;
 - (c) where a payment is made to the Society under any approved covenant, the amount (if any) by which the value of the mortgaged assets is reduced by reason of that payment (whether as a result of the exercise of the powers of sale of the Society under the relevant approved charge or as a result of a release granted by the Society to enable the relevant payment to be made) shall be deducted from the value of the mortgaged assets attributed to the relevant member in respect of which the relevant approved covenant was provided;
 - (d) where the nominal amount of any approved covenant is altered with the agreement of the Society, the value of the mortgaged assets immediately following the relevant valuation date or other date by reference to which the alteration was agreed shall be attributed, and shall be deemed to have been attributed, to the relevant members in such proportions as shall, before or at the time the alteration takes effect, be agreed by the relevant members and approved by an authorised person;
 - (e) any increase or decrease in the value of the mortgaged assets occurring between one adjustment event and the next shall be attributed to the relevant members in the proportions in which the value of the mortgaged assets was attributed to them immediately after the former such adjustment event.
- (3) For the purposes of this paragraph an "adjustment event" occurs whenever -
 - (a) a payment is made to the Society under any approved covenant provided in respect of a relevant member and the value of the mortgaged assets is reduced by reason of that payment; or

- (b) the nominal amount of any approved covenant is altered with the agreement of the Society (but so that for this purpose the adjustment event shall be deemed to occur on the relevant valuation date or other date by reference to which the alteration is agreed).
- (4) In relation to a relevant member, the reference in paragraph 13(2) and in the definition of "relevant valuation date" to the provision of further assets and monies shall be treated as a reference to the procuring of an increase in the value of the mortgaged assets attributable to that relevant member or in the nominal value of the approved covenant provided in respect of that relevant member, or in both, to the extent that such increase reverses any diminution in the value of the funds at Lloyd's provided in respect of that relevant member.
- (5) In this paragraph 16 references to the Society shall be deemed to include references to any other person who is for the time being the trustee of any Lloyd's Security and Trust Deed under which the benefit of the approved covenant concerned is held.

17. Restriction on Mortgage – corporate member

No corporate member shall, except with the prior written consent of the Council, create or permit to exist over all or part of the monies and assets comprising its funds at Lloyd's or any other fund established by it as security for the payment of its underwriting liabilities (or, in either case, any interest therein) any mortgage, charge, pledge, lien, assignment, encumbrance, right of set-off, title transfer or retention arrangement or agreement, or any security interest whatsoever (other than in favour of the Society or as permitted or required under these conditions and requirements).

PART E - ADDITIONAL UNDERWRITING REQUIREMENTS

18. Modifications to (and additional) Conditions and Requirements applying to Successor Vehicles and Captive Corporate Members

- (i) These conditions and requirements shall apply to successor vehicles subject to the modifications set out in Appendix 10;
- (ii) These conditions and requirements shall apply to captive corporate candidates and captive corporate members subject to the modifications set out in Appendix 12.

19. Solvency shortfall

No member shall underwrite insurance business for any subsequent year of account if that respective member has failed to extinguish not later than the coming into line date any solvency shortfall shown in the most recent solvency statement or additional solvency statement issued by the Society in relation to that member.

20. Requests for funds

- (1) Subject to sub-paragraphs (2) and (3), no individual member or corporate member shall underwrite insurance business for any subsequent year of account if the respective member has failed to meet in full by the coming into line date any request for funds made by a managing agent where such request was due to be met (in relation to underwriting for that year of account) by such date to be prescribed by the Head, Market Reporting Solvency Department, or the Manager, (MRSD) and the Assistant Manager, (MRSD).
- (2) In determining for the purposes of sub-paragraph (1) whether a member has failed to meet in full a request for funds no account shall be taken of any interest for which that member is liable under clause 7.1 (c) of any agreement in the form of the standard managing agent's agreement (general) (corporate member) or under the second sentence of clause 9(d) of any agreement in the form of the standard agency agreement set out in Schedule 1 to the Agency Agreements Byelaw (No. 1 of 1995) as incorporated into any agency or sub-agency agreement.
- (3) Sub-paragraph (1) shall not apply if no later than the coming into line date the member has duly authorised the application of such amount of funds at Lloyd's as is sufficient to meet that member's liabilities in respect of all requests for funds referred to in sub-paragraph (1).

21. Power of Attorney

No individual member or corporate member shall underwrite insurance business for any subsequent year of account if that member has failed to execute not later than the coming into line date or such other date as may be prescribed a power of attorney in the form for the time being prescribed by the Council relating to the carrying on of insurance business of all classes and matters incidental thereto in jurisdictions outside the United Kingdom.

22. Lloyd's Regulatory Board

Nothing in these conditions and requirements shall prevent the Lloyd's Regulatory Board or any person or body of persons authorised by the Lloyd's Regulatory Board from providing other categories of assets at some future date which are acceptable for Funds at Lloyd's and net eligible means.

PART F - SUPPLEMENTAL AND COMMENCEMENT

23. Exemptions

- (1) The Lloyd's Regulatory Board or the General Manager, Members' Financial Services may grant either an individual member or corporate member exemption from such provisions of these conditions and requirements and on such terms and conditions as they see fit.

- (2) Where a member has insufficient funds at Lloyd's and/or means if relevant, at the coming into line date an exemption will be considered only where the members' agent or Lloyd's adviser has confirmed and evidenced in writing that the required funds are available and will be received within a specified period of time.
- (3) All initial requests for exemption relating to the following year's underwriting must be made prior to the coming into line date. The results of all exemption requests will be communicated in writing by the Members' Funds Department.
- (4) A discretionary user pays fee to cover administration costs may be levied per exemption or secondary exemption.

24. Members' Agent Confirmation Form

- (1) A members' agent (or, in any case where a candidate or member has more than one members' agent, the co-ordinating agent) shall, in the case of each member for whom it acts as such, lodge with the Member's Funds Department by such date as may be prescribed in each year a statement in the prescribed form attached as Appendix 8(a) for individual members and Appendix 8(b) for corporate members confirming that that candidate or member whom it represents has either complied with the requirements set by Lloyd's or has been excused compliance with those requirements by the Council of Lloyd's.
- (2) A corporate candidate or corporate member who has not retained the services of a members' agent for the next following year of account shall lodge with the Relevant Person by such date as may be prescribed in each year a statement in the form set out in Appendix 8(b) confirming that the corporate candidate or corporate member has either complied with provisions and maintenance of funds at Lloyd's the requirements set by Lloyd's or has been excused compliance with those requirements by the Council of Lloyd's.
- (3) A members' agent, or as the case may be, a co-ordinating agent, shall, upon being required to do so by the Relevant Person, have the statement referred to in sub-paragraph (1) or (2) (as appropriate), or any calculation made in confirming an individual member's net funds at Lloyd's, audited by a recognised auditor.

25. Accredited Investor – individual members

An individual member who is domiciled or resident in the US shall not underwrite insurance business for any year of account unless he has provided confirmation (in the required format) to his members' agent between 31 March and 30 June in the previous year that he is an accredited investor.

26. Prescribed Forms

A form or other document is in the prescribed form if it is in the form referred to in the Membership and Underwriting Requirements (Corporate member) or in such other form as an authorised person may prescribe from time to time for the purposes of these conditions and requirements.

27. Commencement

These conditions and requirements shall come into force on 30 June 1999.

MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS

(MEANS AND FUNDS AT LLOYD'S)

(INDIVIDUAL/CORPORATE MEMBER)

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(MEANS AND FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

ARRANGEMENT OF PARAGRAPHS

PART A - PRELIMINARY

1. Interpretation

PART B – MEANS REQUIREMENT

2. Means requirements
3. Provision and maintenance of net eligible means
4. Valuation of net eligible means, acceptable means assets and deductible liabilities
5. Valuation of acceptable means assets
6. Verification of net eligible means
7. Means - responsibilities of members' agent

PART C – OVERALL PREMIUM LIMITS AND NET FUNDS AT LLOYD'S

8. Net funds at Lloyd's
9. Overall premium limits

PART D - FUNDS AT LLOYD'S

10. Provision and maintenance of funds at Lloyd's
11. Liabilities to be taken into account in calculating net funds at Lloyd's
12. Maintenance of deposit
13. Reduction in value of funds at Lloyd's
14. Funds at Lloyd's - investment criteria and acceptable assets
15. Funds at Lloyd's - calculation and valuation
16. Funds at Lloyd's - Covenant & Charge – Corporate Member
17. Funds at Lloyd's - Restriction on Mortgage – Corporate Member

PART E - ADDITIONAL UNDERWRITING REQUIREMENTS

18. Modifications to Conditions and Requirements.
19. Solvency shortfall
20. Requests for funds
21. Power of Attorney

22. Lloyd's Regulatory Board

PART F - SUPPLEMENTAL AND COMMENCEMENT

23. Exemptions

24. Member's Agent Confirmation Form

25. Accredited Investor – Individual Members.

26. Prescribed Forms

27. Commencement

APPENDICES

1. Net eligible means
2. Underwriting as an individual member
3. Member's partially converting to a corporate vehicle
4. Underwriting as a corporate member
5. Funds at Lloyd's
6. Determination of the market value of Funds at Lloyd's
7. Interpretation
8. Member's Confirmation Form
 - (a) Part 1 – Member's Agent
 - (b) Part II – no Member's Agent
9. Confirmation of net Eligible Means.
10. Modifications to Conditions and Requirements applying to Successor Vehicles
 - (a) Schedule 1 – body corporate
 - (b) Schedule 2 – Scottish Limited Partnership
 - (c) Schedule 3 – order of set-off of assets.
11. The Coming into Line Timetable
12. Captive Corporate Members
13. Lloyd's Legal Act Opinion

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(MEANS AND FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

The Prudential Supervision Committee ("PSC") acting pursuant to paragraph 3(I) (vii) of the PSC terms of reference dated 25 January 1999 and more specifically pursuant to the Council's powers set out in paragraphs 3, 20 and 53 of the Membership Byelaw (No. 17 of 1993) and in exercise of any and every power it enabling HEREBY PRESCRIBES the following conditions and requirements.

PART A - PRELIMINARY

1. Interpretation

The provisions of Appendix 7 (interpretation) shall have effect.

PART B – MEANS REQUIREMENT – INDIVIDUAL MEMBERS ONLY

2. Means

Subject to (a) below Appendix 2 shall have effect, in relation to all individual members and individual applicants for membership of the Society, for determining the amounts of net eligible means to be provided by an individual member for any year of account after 1999 by reference to the overall premium limit determined by him for that year of account:

- (a) where a member wishes to continue to underwrite on an unlimited basis and to partially convert to a single corporate vehicle or more than one corporate vehicle for 2000 or any subsequent year of account when Appendix 3 shall have effect.

3. Provision and maintenance of net eligible means

- (1) Subject to sub-paragraph (2) below no individual member shall underwrite insurance business for a year of account unless as at the coming into line date for that year of account or such other date as may be prescribed he possesses net eligible means of an aggregate value not less than £250,000 as specified in Appendix 2 in relation to his overall premium limit for that year of account.
- (2) Sub-paragraph (1) above shall not apply if the member provides his full capital requirement in the form of FAL .
- (3) An individual member shall not, during any calendar year corresponding to a year of account for which he is underwriting, by any voluntary act or omission effect or permit any reduction in the aggregate value of his net eligible means below the amount required by sub-paragraph (1) in relation to that year of account, save to meet his Lloyd's obligations.

- (4) An individual member whose net eligible means are reduced in value below the amount required by sub-paragraph (1) during the calendar year corresponding to the year of account concerned shall take all reasonable steps to restore them to not less than the required amount not later than the coming into line date next following such reduction.
- (5) An individual member who becomes aware that his net eligible means have been reduced in value below the amount required by sub-paragraph (1) during the calendar year corresponding to the year of account concerned shall forthwith inform his members' agent and the Manager of the Members' Funds Department in writing of such reduction.

4. Valuation of net eligible means, acceptable means assets and deductible liabilities

- (1) The value to be attributed to an individual member's net eligible means for the purposes of these conditions and requirements is the aggregate value of his acceptable means assets less the aggregate value of certain liabilities referred to in sub-paragraph (2)(b).
- (2) Appendix 1 shall have effect -
 - (a) for specifying acceptable means assets and the proportions and the manner in which they are to be held, and for determining their valuation; and
 - (b) for specifying liabilities which are to be deducted from acceptable means assets in calculating a member's net eligible means, and for determining the valuation of such liabilities.
- (3) In relation to the Other Personal Wealth (OPW) element of net eligible means the categories of assets which are acceptable for FAL and the determination of the market value of FAL set out in Appendices 5 and 6 shall have effect as if OPW were FAL.

5. Valuation of acceptable means assets

- (1) Subject to sub-paragraphs (2), (3) and (4), for the purposes of this Part B (means requirements) all acceptable means assets of a member shall be valued as far as is practicable on the same date and if not practicable within 3 months before the date at which means are confirmed.
- (2) Interests in real property or in life policies shall be valued not more than three months before the date at which a member's net eligible means are confirmed.
- (3) An authorised signatory may accept a real property valuation made at a date earlier than that specified in sub-paragraph (2) provided that he is satisfied that the value of the property has not reduced between the valuation date and the date at which all other acceptable means assets of the member or candidate were valued.

- (4) FAL used as means shall be valued at the FAL valuation date.
- (5) In relation to the OPW element of acceptable means assets which are not FAL, categories of assets which are acceptable for FAL and the determination of the market value of FAL set out in Appendices 5 and 6 shall have effect, as if OPW were FAL.

6. Verification of net eligible means

- (1) It shall be a condition of admission to membership of the Society that a candidate provides his members' agent or where he has more than one members' agent his co-ordinating agent with a written certificate (in the form set out in Appendix 9) complying with this paragraph confirming that the candidate possesses net eligible means of not less than the amount required by paragraph 3(1).
- (2) A member shall -
 - (a) by each coming into line date; or
 - (b) within 14 days of receiving a written request to do so,provide his members' agent or where he has more than one members' agent his co-ordinating agent with a confirmation of net eligible means confirming (in the form set out in Appendix 9) that his current net eligible means are not less than the minimum amount referred to in paragraph 3(1).
- (3) Sub-paragraph (2) shall not apply if the member has sufficient funds at Lloyd's to satisfy the means requirements.
- (4) Any certificate provided for the purposes of sub-paragraph (1) or (2) shall -
 - (a) be signed by the candidate or member (as the case may be) and contain a statement signed by an authorised signatory that he has reviewed the confirmation of net eligible means of the candidate or member in accordance with the procedures mentioned in sub-paragraph (5); and
 - (b) contain a statement by the candidates or member's members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) that it has examined the confirmation of net eligible means and on the basis of its knowledge of the general and financial circumstances of the candidate or member it is satisfied that such confirmation has been prepared in accordance with these conditions and requirements.
- (5) An authorised signatory shall not sign such a certificate unless -

- (a) he has verified the existence of the assets concerned by reference to the appropriate title deeds, bank certificates or other appropriate independent evidence and, in the case of tangible assets, has verified that adequate insurance arrangements are in force;
 - (b) he has received independent verification that the assets have been valued in accordance with paragraph 5;
 - (c) he is satisfied (and has received such independent confirmation as is reasonably available) that assets are beneficially owned by the candidate or member without any encumbrance;
 - (d) he has received such independent confirmation as is reasonably available of loans to and other liabilities of the candidate or member, including material liabilities associated with taxation or any known litigation; and
 - (e) he has discussed with the candidate or member whether all material liabilities have been included in the certificate determining the candidate's or member's net eligible means.
- (6) Where an authorised signatory has any reservation about matters which may, directly or indirectly, effect the value of a candidate's or member's net eligible means, he shall bring the matter to the attention of the candidate's or member's members' agent and then, if appropriate, to the attention of the Members' Funds Department.

7. Means - responsibilities of members' agent

- (1) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall explain to each candidate and individual member for whom it acts or will be acting as such the importance and implications of the obligations of the candidate or member under these requirements.
- (2) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall ensure that it gives reasonable time to each candidate or member for whom it acts as such to compile all necessary information and produce all supporting information in relation to the valuation of his net eligible means and gives reasonable time to the proposed authorised signatory to enable him to fulfil his responsibilities in relation to the confirmation of the valuation of those net eligible means.
- (3) Where an individual member complies with the means requirement by virtue of his funds at Lloyd's that individual member's members' agent must record the fact by signing a statement to that effect. This statement must be retained by the members' agent on file and be available for later inspection.

- (4) A members' agent (or, in any case where a candidate or individual member has more than one members' agent, the co-ordinating agent) shall in the case of each individual member for whom it acts as such, satisfy itself that all ascertained losses and open year deficiencies of that individual member arising from his underwriting business at Lloyd's are properly taken into account in any calculation of his net eligible means for the purposes of this Part B (means requirements).
- (5) A members' agent, or as the case may be, the co-ordinating agent, shall, upon being required to do so by the General Manager, Monitoring have any calculation made in confirming the member's or candidate's net eligible means audited by a recognised auditor.

PART C – OVERALL PREMIUM LIMITS, CAPITAL REQUIREMENT AND NET FUNDS AT LLOYD'S

8. Net funds at Lloyd's

- (1) Appendix 2 (individual members) and Appendix 4 (corporate members) shall have effect, in relation to every individual member and corporate member or applicant for membership of the Society, for (a) determining the capital requirement for individual members; and (b) the amounts of net funds at Lloyd's to be provided by an individual and/or corporate member for any year of account.
- (2) The SRF may not be used to cover the first 30% of OPL of a member's capital requirement for the 2000 and subsequent years of account but may be used to cover the balance of a member's capital requirement provided that the SRF is counted as the full OPW requirement (equal to 5/45ths of the member's capital requirement) in priority to being used to cover the remainder of the capital requirement.

9. Overall premium limits

Every member who wishes to commence or to continue underwriting for a year of account shall determine an overall premium limit, and, if that member wishes to underwrite long term business, a general business premium limit and a long term business premium limit, for that year of account.

PART D - FUNDS AT LLOYD'S

10. Provision and maintenance of funds at Lloyd's

No member shall underwrite insurance business for a year of account unless at the coming-into-line date he maintains FAL of aggregate value not less than the percentages set out in sub-paragraphs (a) and (b) -

- (a) for an individual member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 2 or 3 as the case may require; and
 - (ii) certain liabilities in respect of his underwriting business specified in, and valued in accordance with, paragraph 11.
 - (b) for a corporate member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 4; and
 - (ii) certain liabilities in respect of its underwriting specified in, and valued in accordance with, paragraph 11.
- (2) No member shall underwrite long term insurance business for a year of account, or, having underwritten long term business as a member of a syndicate for any year of account for the time being remaining open, underwrite general business, unless, at the coming into line date for the new year of account, the member maintains separate funds at Lloyd's exclusively for the member's general business and for the member's long term business respectively and in each case those funds are of aggregate value not less than the aggregate of -
- (a) for an individual member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 2 or 3 as the case may be, as modified by sub-paragraph (3); and
 - (ii) certain liabilities in respect of that general business or long term business specified in, and valued in accordance with, paragraph 11.
 - (b) for a corporate member the aggregate of -**

 - (i) the amount of net funds at Lloyd's specified by Appendix 4, as modified by sub-paragraph (3); and
 - (ii) certain liabilities in respect of that general business or long term business specified in, and valued in accordance with paragraph 11.
- (3) For the purpose of calculating the proportions to be borne by either a member's net funds at Lloyd's exclusively maintained for the member's general business or the member's long term business to the member's general business premium limit or to the member's long term business premium limit respectively, Appendix 2 or 3 for individual members and Appendix 4 for corporate members as the case may be, shall apply as if for references to

"overall premium limit" there were substituted references to "general business premium limit" or "long term business premium limit" respectively.

11. Liabilities to be taken into account in calculating net funds at Lloyd's

- (1) The liabilities to be deducted from the value of a member's funds at Lloyd's for the purpose of calculating his net funds at Lloyd's are -

Individual member or corporate member

- (a) in relation to general business of any individual or corporate member allocated to 1993 or any subsequent years of account -
- (i) liabilities in respect of any request for funds made by the managing agent of a syndicate;
 - (ii) any uncalled run-off deficiencies and uncalled closed year losses;
 - (iii) open year solvency deficiencies excluding open year deficiencies of less than £250 on any MAPA participation, but only to the extent they exceed the aggregate of the value of any open year solvency surpluses.

Provided that no such deduction need be made to the extent that the member has paid monies into the relevant premiums trust funds to fund the relevant loss or deficiencies.

Individual member

- (b) in relation to general business of any individual member allocated to 1992 or any earlier year of account -
- (i) liabilities after taking into account the total of any applicable credits set out in the finality bill, including any estimated personal stop loss recovery if set off against the total liabilities as set out in the finality statement;
 - (ii) any other liabilities owed and unpaid pursuant to the terms of the Settlement Agreement in the case of an accepting member and any other liabilities, if any, in the case of a non-accepting member;

Corporate member

- (2) (a) In the case of a corporate member where a corporate member is a connected company with one or more other corporate members, if the result reached by combining the open year totals of that corporate member and each connected company is positive, the items referred to

in sub-paragraph 1(a)(iii) need not be deducted if the Council so permits.

- (b) As a condition of or in connection with the granting of permission under sub-paragraph (a), the Council may require such undertakings as may appear to it necessary or expedient from either or any of (i) the corporate member, (ii) each connected company and (iii) the investment company which provides the funds at Lloyd's of that corporate member.
- (3) The value of any interavailable funds shall be included in the value of the successor vehicle's funds at Lloyd's; provided that, to the extent that the interavailable funds are earmarked for the participant to cover any relevant liabilities those earmarked funds will not be relied upon when determining the overall premium limit for the successor vehicle.
 - (4) Sub-paragraph (1) shall apply for the purpose of calculating the value of a member's net funds at Lloyd's in relation to the member's general business premium limit and to the member's long term business premium limit respectively as well as the member's overall premium limit; and
 - (a) references to liabilities, run-off deficiencies, closed year losses, open year solvency surpluses and open year solvency deficiencies shall be taken to be references to liabilities, run-off deficiencies, closed year losses and open year solvency surpluses in respect of the member's general business or long term business, as the case may be; and
 - (b) for the purpose of calculating the amount of liabilities to be deducted in accordance with sub-paragraph (1) in respect of the member's general business and long term business respectively, the member or the member's members' agent where relevant, shall apportion any anticipated personal stop loss recoveries between such classes of business.

12. **Maintenance of deposit**

- (1) No member shall underwrite general business unless that member has executed
 - (a) a Lloyd's deposit trust deed or a Lloyd's security and trust deed; and
 - (b) a premiums trust deedeach in the form for the time being prescribed and that member maintains a Lloyd's deposit in accordance with these conditions and requirements and the provisions of the documents set out in (a) and (b) above.

- (2) No member shall underwrite long term business unless that member has executed
 - (a) a Lloyd's deposit trust deed for long term business or a Lloyd's security and trust deed for long term business; and
 - (b) a premiums trust deed for long term business

each in the form for the time being prescribed and that member maintains a Lloyd's life deposit not less than £1,000 in value in accordance with these conditions and requirements and the provisions of the documents set out in (a) and (b) above.

corporate member

- (3) Unless an authorised person otherwise agrees in writing, not less than 15 per cent. of the aggregate value of the corporate member's Lloyd's life deposit and not less than 15 per cent. of the aggregate value of the corporate member's funds at Lloyd's (less its Lloyd's life deposit) shall be held under the terms of a permitted deed.
- (4) A corporate member which is a subsidiary of an investment company may, wholly or partly in lieu of the forms of Lloyd's deposit referred to in sub-paragraph (1), provide a Lloyd's deposit in one or both of the following forms set out in sub-paragraphs (a) and (b) and may provide a Lloyd's life deposit in the form set out in (b) -
 - (a) an approved covenant by the investment company secured by an approved charge over a property by the investment company and subject, if so agreed between the investment company and an authorised person, to a master agreement in the prescribed form, such approved covenant and approved charge being entered into together with such custody agreements, investment management agreements and other supporting agreements as may be requested by an authorised person;
 - (b) any sums and investments provided by the investment company and held under the terms of a Lloyd's Deposit Trust Deed (Third Party) in the prescribed form.
- (5) With the prior written consent of an authorised person, the funds at Lloyd's of a corporate member (whether or not a subsidiary of an investment company) may be provided by a third party in the manner described in sub-paragraph (4)(a) or (b) in which case references in sub-paragraphs (4)(a) and (b) to "an investment company" shall be construed as references to that permitted third party.
- (6) Where an authorised person gives his consent under sub-paragraph (5), he may require any one or more of the following to be given:

- (a) a FAL Provider Declaration and Undertaking in the prescribed form;
 - (b) a Lloyd's Act Legal Opinion in the prescribed form; and/or
 - (c) a Significant FAL Provider Undertaking in the prescribed form.
- (7) With the prior written consent of an authorised person, the Lloyd's deposit of a corporate member which is not a subsidiary of an investment company may be provided in the manner described in sub-paragraph (4)(a) by the corporate member itself in which case references in that sub-paragraph to "an investment company" shall be construed as references to that corporate member.
- (8) Every corporate member shall pay, transfer or provide to the Society or, subject to the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member), an approved custodian, any sums or investments forming part of its Lloyd's deposit and, where appropriate, Lloyd's life deposit to be held by or on behalf of the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed and, subject to receiving the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member) enter into (or only where another person is to provide its Lloyd's deposit or its Lloyd's life deposit, procure such other person to enter into), as appropriate -
- (i) a Lloyd's deposit investment management agreement in whichever of the forms set out at Appendix 27 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve; and/or
 - (ii) a Lloyd's deposit custody agreement in which ever of the forms set out at Appendix 28 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve;

13. Reduction in value of funds at Lloyds

- (1) (a) No member shall by any voluntary act or omission effect or permit any reduction in the value of that member's Lloyd's deposit or Lloyd's life deposit or in that member's other funds at Lloyd's below the amount which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to that member's overall premium limit for any year of account which for the time being remains open, save for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held.

- (b) Without prejudice to sub-paragraph (2), where in relation to any year of account ("year 2") an individual member or a corporate member wishes to maintain an overall premium limit at the same level as that applicable in relation to the immediately preceding year of account ("year 1"), any diminution in value of that member's funds at Lloyd's used to calculate that member's overall premium limit for year 1 shall be disregarded to the extent that the individual or corporate member provides further assets or monies by way of funds at Lloyd's by the coming-into-line date falling within the year corresponding to year 1.
- (1) Where at any time during the course of a year the value of a member's Lloyd's deposit or Lloyd's life deposit or other funds at Lloyd's has reduced below the value used to calculate the member's overall premium limit for the year of account corresponding to that year (the "required value") whether by virtue of:
 - (a) a withdrawal for the purposes of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held; or
 - (b) a diminution in value of any assets or monies comprised in the member's funds at Lloyd's by more than 10 per cent of the required value

the individual member by his member's agent or the corporate member (by its member's agent if it has one) shall notify the Relevant Person and shall, unless otherwise permitted by an authorised person, make good the deficiency within 28 days of the deficiency arising.

- (3) Where a member is a non-underwriting member and the value of that member's Lloyd's deposit or other funds at Lloyd's has reduced below the value which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to that member's overall premium limit for any year of account which for the time being remains open by virtue of a withdrawal for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held, that member (by its members' agent if it has one) shall notify the Relevant Person and shall, unless permitted by an authorised person, make good the deficiency within 28 days of the deficiency arising.

14. Funds at Lloyd's – investment criteria and acceptable assets

- (1) The monies and assets comprising an individual member's or corporate member's funds at Lloyd's (except for any non-qualifying assets held in a personal reserve fund of an individual member, if relevant) may be invested in the purchase of any asset or property listed in Appendix 5 ("authorised assets") or, where an authorised person so directs, in the purchase of any of a list of authorised assets specified in writing by him.
- (2) A corporate member may, with the prior written consent of an authorised person, cause or permit part of its funds at Lloyd's to be invested in

instruments other than authorised assets for the purposes of hedging against foreign currency exposure and shall comply with any restrictions imposed by the terms of any such consent. Any application for such consent shall be made in writing to the Relevant Person.

15. Funds at Lloyd's : calculation and valuation

- (1) Subject to paragraph 13 for all members and to paragraph 16 for corporate members only the assets and monies comprised in a candidate's or member's funds at Lloyd's shall be taken into account for the purposes of these conditions and requirements at their respective market values as at the relevant valuation date. Where assets are received after the valuation date those assets shall be valued at the date on which they were paid or transferred to the trust fund concerned.
- (2) Except where otherwise provided in these conditions and requirements, the market value of the assets and monies within a member's funds at Lloyd's shall be determined for the purposes of these conditions and requirements as follows -
 - (a) assets falling within paragraph 2 and 3 of Appendix 5 shall be valued at their mid-market closing price, bid price, market price or surrender value (as the case may be) determined in accordance with the provisions of those paragraphs and, where appropriate, translated into sterling in accordance with the provisions of paragraph 3 of Appendix 6;
 - (b) the following monies and assets shall be valued by applying the exchange rate determined in accordance with the provisions of paragraph 3 of Appendix 6:
 - (i) letters of credit and guarantees payable in an approved foreign currency; and
 - (ii) cash balances held in an approved foreign currency.

16. Covenant and Charge – corporate members

- (1) For the purposes of these conditions and requirements the value at any time of a Lloyd's deposit provided in the form of an approved covenant and an approved charge shall be taken to be whichever is the lesser of -
 - (a) the maximum sum which may at that time be demanded under the approved covenant given in respect of or by the relevant member (after taking account of any sums already paid under that approved covenant); and
 - (b) the value at that time attributable to the relevant member of the authorised assets which are subject to the fixed charges granted to the Society under the approved charge by way of security for the

performance of the approved covenant referred to in (a) above and of any other approved covenants secured by the approved charge.

- (2) The value of the authorised assets which are subject to the fixed charges granted to the Society under an approved charge ("the mortgaged assets") shall be attributed to the corporate members in respect of which the approved covenants secured by that approved charge are provided ("the relevant members") as follows -
- (a) when the approved covenants are first provided, such value shall be attributed to the relevant members in proportion to the respective nominal values of the approved covenants provided in respect of each of them;
 - (b) any increase or decrease in the value of the mortgaged assets between the time referred to in (a) above and the first adjustment event (as defined in sub-paragraph (3)) shall be attributed to the relevant members in the proportions referred to in (a) above;
 - (c) where a payment is made to the Society under any approved covenant, the amount (if any) by which the value of the mortgaged assets is reduced by reason of that payment (whether as a result of the exercise of the powers of sale of the Society under the relevant approved charge or as a result of a release granted by the Society to enable the relevant payment to be made) shall be deducted from the value of the mortgaged assets attributed to the relevant member in respect of which the relevant approved covenant was provided;
 - (d) where the nominal amount of any approved covenant is altered with the agreement of the Society, the value of the mortgaged assets immediately following the relevant valuation date or other date by reference to which the alteration was agreed shall be attributed, and shall be deemed to have been attributed, to the relevant members in such proportions as shall, before or at the time the alteration takes effect, be agreed by the relevant members and approved by an authorised person;
 - (e) any increase or decrease in the value of the mortgaged assets occurring between one adjustment event and the next shall be attributed to the relevant members in the proportions in which the value of the mortgaged assets was attributed to them immediately after the former such adjustment event.
- (3) For the purposes of this paragraph an "adjustment event" occurs whenever -
- (a) a payment is made to the Society under any approved covenant provided in respect of a relevant member and the value of the mortgaged assets is reduced by reason of that payment; or

- (b) the nominal amount of any approved covenant is altered with the agreement of the Society (but so that for this purpose the adjustment event shall be deemed to occur on the relevant valuation date or other date by reference to which the alteration is agreed).
- (4) In relation to a relevant member, the reference in paragraph 13(2) and in the definition of "relevant valuation date" to the provision of further assets and monies shall be treated as a reference to the procuring of an increase in the value of the mortgaged assets attributable to that relevant member or in the nominal value of the approved covenant provided in respect of that relevant member, or in both, to the extent that such increase reverses any diminution in the value of the funds at Lloyd's provided in respect of that relevant member.
- (5) In this paragraph 16 references to the Society shall be deemed to include references to any other person who is for the time being the trustee of any Lloyd's Security and Trust Deed under which the benefit of the approved covenant concerned is held.

17. Restriction on Mortgage – corporate member

No corporate member shall, except with the prior written consent of the Council, create or permit to exist over all or part of the monies and assets comprising its funds at Lloyd's or any other fund established by it as security for the payment of its underwriting liabilities (or, in either case, any interest therein) any mortgage, charge, pledge, lien, assignment, encumbrance, right of set-off, title transfer or retention arrangement or agreement, or any security interest whatsoever (other than in favour of the Society or as permitted or required under these conditions and requirements).

PART E - ADDITIONAL UNDERWRITING REQUIREMENTS

18. Modifications to (and additional) Conditions and Requirements applying to Successor Vehicles and Captive Corporate Members

- (i) These conditions and requirements shall apply to successor vehicles subject to the modifications set out in Appendix 10;
- (ii) These conditions and requirements shall apply to captive corporate candidates and captive corporate members subject to the modifications set out in Appendix 12.

19. Solvency shortfall

No member shall underwrite insurance business for any subsequent year of account if that respective member has failed to extinguish not later than the coming into line date any solvency shortfall shown in the most recent solvency statement or additional solvency statement issued by the Society in relation to that member.

20. Requests for funds

- (1) Subject to sub-paragraphs (2) and (3), no individual member or corporate member shall underwrite insurance business for any subsequent year of account if the respective member has failed to meet in full by the coming into line date any request for funds made by a managing agent where such request was due to be met (in relation to underwriting for that year of account) by such date to be prescribed by the Head, Market Reporting Solvency Department, or the Manager, (MRSD) and the Assistant Manager, (MRSD).
- (2) In determining for the purposes of sub-paragraph (1) whether a member has failed to meet in full a request for funds no account shall be taken of any interest for which that member is liable under clause 7.1 (c) of any agreement in the form of the standard managing agent's agreement (general) (corporate member) or under the second sentence of clause 9(d) of any agreement in the form of the standard agency agreement set out in Schedule 1 to the Agency Agreements Byelaw (No. 1 of 1995) as incorporated into any agency or sub-agency agreement.
- (3) Sub-paragraph (1) shall not apply if no later than the coming into line date the member has duly authorised the application of such amount of funds at Lloyd's as is sufficient to meet that member's liabilities in respect of all requests for funds referred to in sub-paragraph (1).

21. Power of Attorney

No individual member or corporate member shall underwrite insurance business for any subsequent year of account if that member has failed to execute not later than the coming into line date or such other date as may be prescribed a power of attorney in the form for the time being prescribed by the Council relating to the carrying on of insurance business of all classes and matters incidental thereto in jurisdictions outside the United Kingdom.

22. Lloyd's Regulatory Board

Nothing in these conditions and requirements shall prevent the Lloyd's Regulatory Board or any person or body of persons authorised by the Lloyd's Regulatory Board from providing other categories of assets at some future date which are acceptable for Funds at Lloyd's and net eligible means.

PART F - SUPPLEMENTAL AND COMMENCEMENT

23. Exemptions

- (1) The Lloyd's Regulatory Board or the General Manager, Members' Financial Services may grant either an individual member or corporate member exemption from such provisions of these conditions and requirements and on such terms and conditions as they see fit.

- (2) Where a member has insufficient funds at Lloyd's and/or means if relevant, at the coming into line date an exemption will be considered only where the members' agent or Lloyd's adviser has confirmed and evidenced in writing that the required funds are available and will be received within a specified period of time.
- (3) All initial requests for exemption relating to the following year's underwriting must be made prior to the coming into line date. The results of all exemption requests will be communicated in writing by the Members' Funds Department.
- (4) A discretionary user pays fee to cover administration costs may be levied per exemption or secondary exemption.

24. Members' Agent Confirmation Form

- (1) A members' agent (or, in any case where a candidate or member has more than one members' agent, the co-ordinating agent) shall, in the case of each member for whom it acts as such, lodge with the Member's Funds Department by such date as may be prescribed in each year a statement in the prescribed form attached as Appendix 8(a) for individual members and Appendix 8(b) for corporate members confirming that that candidate or member whom it represents has either complied with the requirements set by Lloyd's or has been excused compliance with those requirements by the Council of Lloyd's.
- (2) A corporate candidate or corporate member who has not retained the services of a members' agent for the next following year of account shall lodge with the Relevant Person by such date as may be prescribed in each year a statement in the form set out in Appendix 8(b) confirming that the corporate candidate or corporate member has either complied with provisions and maintenance of funds at Lloyd's the requirements set by Lloyd's or has been excused compliance with those requirements by the Council of Lloyd's.
- (3) A members' agent, or as the case may be, a co-ordinating agent, shall, upon being required to do so by the Relevant Person, have the statement referred to in sub-paragraph (1) or (2) (as appropriate), or any calculation made in confirming an individual member's net funds at Lloyd's, audited by a recognised auditor.

25. Accredited Investor – individual members

An individual member who is domiciled or resident in the US shall not underwrite insurance business for any year of account unless he has provided confirmation (in the required format) to his members' agent between 31 March and 30 June in the previous year that he is an accredited investor.

26. Prescribed Forms

A form or other document is in the prescribed form if it is in the form referred to in the Membership and Underwriting Requirements (Corporate member) or in such other form as an authorised person may prescribe from time to time for the purposes of these conditions and requirements.

27. Commencement

These conditions and requirements shall come into force on 30 June 1999.

**MEMBERSHIP AND UNDERWRITING REQUIREMENTS
(CORPORATE MEMBER)**

CONTENTS

PART A – INTERPRETATION

1. Interpretation

PART B - ADMISSION TO MEMBERSHIP OF THE SOCIETY

2. Compliance with conditions and requirements
3. Eligibility
4. Retention of Lloyd's adviser, members' agent, sponsor, legal adviser and auditor
5. Application procedure
6. Agreements, undertakings etc. by corporate candidates
7. Admission to membership of the Society
8. Duration of membership of the Society
9. Withdrawal of application for membership of the Society
10. Permission to underwrite
11. Additional requirements where permission to underwrite is to be granted after admission to membership

PART C - CONTINUING MEMBERSHIP OF THE SOCIETY AND UNDERWRITING OF INSURANCE BUSINESS AT LLOYD'S

12. Compliance with conditions and requirements
13. Agreements, undertakings etc. by corporate members
14. Declaration of compliance
15. Annual returns and accounts

PART D – APPROVAL OF CUSTODIANS AND INVESTMENT MANAGERS

16. Approval of custodians and investment managers

PART E - CONDITIONS AND REQUIREMENTS FOR PARTICULAR CANDIDATES AND MEMBERS

17. Conditions and requirements for particular candidates and members

PART F - APPROVED ARRANGEMENTS INVOLVING SINGLE MEMBER

SYNDICATES

18. Approved arrangements involving single member syndicates

PART G - MISCELLANEOUS

19. Specified forms
20. Exemptions
21. Commencement

SCHEDULES

- 1 Conditions and requirements for successor vehicles which are body corporates
- 2 Conditions and requirements for Scottish limited partnerships (including successor vehicles which are Scottish limited partnerships)
- 3 Conditions and requirements for captive corporate candidates and captive corporate members

APPENDICES

- 1 Interpretation
- 2 Approved Jurisdictions
- 3 Application Documents
- 4 Registration of Charges
- 5 Applications for Corporate Membership of Lloyd's
- 6 Membership Agreements (corporate member)
- 7 Legal Opinions
- 8 Sponsors' Questionnaire and Undertaking
- 9 Questionnaires on Fitness and Propriety
- 10 Managing agent's confirmation relating to introductory commissions
- 11 Lloyd's adviser's/member's agent's confirmation(s) relating to introductory commissions and syndicate selection
- 12 Power of Attorney and Declaration of Representative (Form CM35B), United States Federal Income Tax Questionnaire (Corporate Member) (Form CM36), Application for Employer Identification Number (SS-4) and Combined Substitute Form W-8 - Certificate of Foreign

Status and Substitute Form W-9 - Request for Taxpayer Identification Number and Certification

- 13 US Tax Agreement (Corporate Member)
- 14 Auditors' undertaking
- 15 Notice of Provision of the Lloyd's Deposit
- 16 Lloyd's Legal Opinion (Letter of credit/bank guarantee)
- 17 Premiums Trust Deed (General Business)
- 18 Premiums Trust Deed (Long Term Business)
- 19 Deposit Trust Deed (General Business)
- 20 Deposit Trust Deed (General Business) (Third Party Deposit)
- 21 Security and Trust Deed (General Business) (Letter of Credit and Bank Guarantee)
- 22 Security and Trust Deed (General Business) (Parent Company Covenant)
- 23 Security and Trust Deed (General Business) (Direct Covenant)
- 24 Deposit Trust Deed (Long Term Business)
- 25 Deposit Trust Deed (Long Term Business) (Third Party Deposit)
- 26 Security and Trust Deed (Long Term Business) (Letter of Credit and Bank Guarantee)
- 27 Investment Management Agreements
- 28 Custody Agreements
- 29 Letter of Credit and Notes for completion
- 30 Guarantee (Joint Guarantors)
- 31 Guarantee (not Joint Guarantors)
- 32 Guidance Notes for Guarantees (Joint Guarantors)
- 33 Guidance Notes for Guarantees (not Joint Guarantors)
- 34 Credit Institution Confirmation
- 35 Approved Covenants

- 36 Approved Charges
- 37 Master Agreement
- 38 Agreement supplemental to an Investment Management Agreement
- 39 Custody Agreements (Covenant and Charge)
- 40 Confirmations as to financial position and supporting auditor's certificate
- 41 Additional Confirmation
- 42 Additional Legal Opinions
- 43 Declarations of compliance and supporting legal opinions
- 44 Declarations and undertakings
- 45 Captive Corporate Member Covenant to Pay
- 46 Captive Corporate Member's Group Company Guarantee

MEMBERSHIP AND UNDERWRITING REQUIREMENTS (CORPORATE MEMBER)

These conditions and requirements are made under paragraphs 3, 10, 15, 16, 20, 21, 22, 29, 37, 51A and 53 of the Membership Byelaw (No. 17 of 1993).

PART A - INTERPRETATION

1. Interpretation

The provisions of Appendix 1 shall have effect.

PART B - ADMISSION TO MEMBERSHIP OF THE SOCIETY

2. Compliance with conditions and requirements

Save as otherwise indicated in this Part, the following conditions and requirements shall be complied with by every corporate candidate which applies for membership of the Society.

3. Eligibility

(1) Every corporate candidate shall -

- (a) be a body incorporated with limited or unlimited liability under the laws of one of the jurisdictions listed in Appendix 2;
- (b) not have engaged in any business or commercial activity (conditionally or otherwise) except for the purposes of applying to become a member of the Society or of raising any funds required to enable it to do so;
- (c) be a body corporate capable of complying with section 8(1) of Lloyd's Act 1982; and
- (d) have at least two directors who are individuals.

(2) No part of a corporate candidate's issued share capital shall comprise bearer shares.

4. Retention of Lloyd's adviser, members' agent, sponsor, legal adviser and auditor

(1) Subject to sub-paragraph (2), every corporate candidate shall -

- (a) prior to the making of its application for membership of the Society and for permission to underwrite insurance business at Lloyd's, have retained the services of -
 - (i) a Lloyd's adviser or a members' agent;
 - (ii) a Sponsor;
 - (iii) a Legal Adviser; and

- (iv) an Auditor; and
- (b) retain the services of such persons until the later of -
 - (i) the date of grant of permission to so underwrite; or
 - (ii) where such permission is refused, the date of such refusal.
- (2) On the application of a corporate candidate, an authorised person may, if he thinks fit, give his written consent to that candidate not appointing a Lloyd's adviser or a members' agent and may impose such conditions and requirements to be satisfied as a condition of the grant of that consent as he thinks fit.
- (3) In relation to its proposed sponsor, a corporate candidate shall -
 - (a) ensure that the proposed appointee is suitably qualified in order to properly discharge its duties as sponsor;
 - (b) procure that item 3 in Appendix 3 is delivered by the proposed appointee in accordance with paragraph 5(1);
 - (c) procure that the proposed appointee completes that part of the application referred to in paragraph 5(1) which contains the declaration to be given by the proposed appointee as sponsor of the corporate candidate; and
 - (d) procure the provision of such details of the proposed appointee as an authorised person may require in order to consider whether the proposed appointee should be permitted to act as sponsor in relation to the corporate candidate.

5. Application procedure

- (1) Every application for membership of the Society and for permission to underwrite insurance business at Lloyd's made by or on behalf of a corporate candidate shall be made in whichever of the forms set out at Appendix 5 is applicable in the circumstances and shall be accompanied by the documents and information listed in that form.
- (2) Every application for membership of the Society and for permission to underwrite insurance business at Lloyd's made by or on behalf of a corporate candidate, together with the documents and information listed in that form, shall be submitted to the Relevant Person by the corporate candidate no later than 30th September next before 1st January of the year in which such membership and permission to so underwrite is sought to commence or such later date as the Relevant Person may permit.
- (3) Subject to sub-paragraphs (4) and (5), every item listed in Appendix 3 which is not required under sub-paragraph (1) to accompany the corporate candidate's application for membership of the Society and for permission to underwrite insurance business at Lloyd's shall be delivered to the Relevant Person by the corporate candidate no later than the coming-into-line date next before 1st January of the year in which such membership and permission to so underwrite is sought to commence or such later date as the Relevant Person may permit.

- (4) If variations or additions are proposed to any of the forms of opinions set out at Appendices 7 or 16 or the undertaking set out at Appendix 14, a copy of the opinion or undertaking marked-up to show the proposed changes shall be delivered to the Relevant Person by the corporate candidate no later than 15th October next before 1st January of the year in which membership of the Society and permission to underwrite insurance business at Lloyd's is sought to commence or such later date as the Relevant Person may permit.
- (5) Every corporate candidate shall deliver to the Relevant Person no later than 30th September next before 1st January of the year in which membership of the Society and permission to underwrite insurance business at Lloyd's is sought to commence or such later date as the Relevant Person may permit -
- (a) if variations or additions are proposed to the specified forms of investment management agreement and/or custody agreement referred to in these conditions and requirements, a copy of the investment management agreement or custody agreement (as the case may be) marked-up to show the proposed changes; and
 - (b) where there is no specified form of investment management agreement or custody agreement, a draft of the proposed investment management agreement or custody agreement (as the case may be).

6. Agreements, undertakings etc. by corporate candidates

- (1) Every corporate candidate shall -
- (a) enter into a membership agreement (the "Membership Agreement (corporate member)") with the Society in whichever of the forms set out at Appendix 6 is applicable in the circumstances with such variations as may be agreed by an authorised person;
 - (b) provide to the Society, or procure the provision to the Society of, the opinions, questionnaires and undertakings listed in Appendix 3 with such variations or additions as may be agreed by an authorised person, and such additional opinions, questionnaires and undertakings as an authorised person may require;
 - (c) subject to sub-paragraphs (2) and (3), have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 17 for general business and, where applicable, in the form set out at Appendix 18 for long term business;
 - (d) have executed, or procured the execution of, a trust deed for the holding of Lloyd's deposits in whichever one or more of the forms set out at Appendices 19, 20, 21, 22 and 23 is or are applicable in the circumstances and, where applicable, Lloyd's life deposits in whichever one or more of the forms set out at Appendices 24, 25 and 26 is or are applicable in the circumstances;
 - (e) pay, transfer or provide to the Society or, subject to the necessary approvals referred to in Part D, an approved custodian any sums or investments forming part of its Lloyd's deposit and, where appropriate, Lloyd's life deposit to be held by or on behalf of the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed and, subject to

receiving the necessary approvals referred to in Part D, enter into (or only where another person is to provide its Lloyd's deposit or its Lloyd's life deposit, procure such other person to enter into), as appropriate -

- (i) a Lloyd's deposit investment management agreement in whichever of the forms set out at Appendix 27 is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve; and/or
 - (ii) a Lloyd's deposit custody agreement in whichever of the forms set out at Appendix 28 is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve;
- (f) procure the provision to the Society of -
- (i) any letter of credit which contains the terms set out at Appendix 29 without any material addition to such terms and has been completed in strict compliance with the notes for completion on the reverse side of Appendix 29 or is otherwise in a form approved by an authorised person; or
 - (ii) any guarantee in whichever of the forms set out at Appendices 30 and 31 is applicable in the circumstances and has been completed and executed in strict compliance with the relevant guidance notes set out at Appendices 32 and 33 or is otherwise in a form approved by an authorised person;

in each case forming part of its Lloyd's deposit and, where appropriate, Lloyd's life deposit to be held by the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed;

- (g) procure the provision to the Society of a credit institution confirmation in the form set out at Appendix 34 if any letter of credit or guarantee referred to in sub-paragraph (1)(f) is provided to the Society;
- (h) procure the provision to the Society of -
- (i) any approved covenant and approved charge constituting its Lloyd's deposit, or Lloyd's life deposit, or any part thereof and to be held by the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed; and
 - (ii) any related master agreement in the form set out at Appendix 37

and enter into (or only where another person is to provide its Lloyd's deposit or its Lloyd's life deposit, procure such other person to enter into), as appropriate, an agreement supplemental to an investment management agreement in the form set out at Appendix 38 and a covenant and charge custody agreement in whichever of the forms set out at Appendix 39 is applicable in the circumstances both with such variations or additions as an authorised person may approve or in such other form as he may approve;

- (i) execute a "Power of Attorney and Declaration of Representative" in the form set out at Appendix 12 and duly complete such other documents, forms and questionnaires in relation to the filing and reporting of US source income and in relation to or arising out of any Closing Agreement entered into, or to be entered into, with the United States Commissioner for Internal Revenue in relation to corporate members and in relation to federal income taxes and federal insurance premiums excise taxes as are listed or referred to in Appendix 3;
- (j) where it has for the time being no members' agent, provide to the Society a duly completed corporate member's syndicate list;
- (k) provide the Society with information in relation to the manner and form in which its funds at Lloyd's are to be provided together with -
 - (i) evidence of the value thereof; and
 - (ii) a confirmation of its financial position by its directors duly supported by a certificate of its Auditor and, where those funds at Lloyd's are to be provided by approved covenant and approved charge given by a third party or by third party deposit, a confirmation of the financial position of the covenantor or depositor by that person's directors duly supported by a certificate of its auditors, in each case in whichever of the forms set out at Appendix 40 is applicable in the circumstances;
- (l) in the case of a relevant US candidate, duly complete and provide to the Society, or procure the provision to the Society of, such additional declarations, documents and forms in relation to the application of the United States securities laws as an authorised person may require;
- (m) deliver or have delivered within the applicable statutory time limit particulars (in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable), with a copy to the Relevant Person of each charge constituted by each deed referred to in Appendix 4 and created by the corporate candidate concerned, together with such supporting documentation, if any, as is prescribed by statute, provided that the corporate candidate is required to make the filings referred to in items 17, 18, 19 and 21 to 32 of Appendix 4 even though it has not or may not have executed the deeds listed therein;
- (n) if the corporate candidate's Lloyd's deposit or Lloyd's life deposit has been provided by another person (except insofar as that Lloyd's deposit or Lloyd's life deposit consists of a letter of credit or guarantee), procure that other person to deliver or have delivered within the applicable statutory time limit particulars (in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable), with a copy to the Relevant Person, of each charge constituted by each deed referred to in items 4, 6, 11 and 12 of Appendix 4, to which that other person is party, together with such supporting documentation, if any, as is prescribed by statute; and
- (o) in relation to a corporate candidate incorporated outside England and Wales, make or

have made such further filings as are set out in Appendix 2 or Appendix 3 of the opinion of its Legal Adviser provided to the Society pursuant to sub-paragraph (1)(b) within the time limit applicable to such filings and supply the Relevant Person with a copy of any such filing.

- (2) For general business, a corporate candidate need not have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 17 if it has executed, or procured the execution of, a premiums trust deed in some other form but the trusts constituted by that deed and the provisions thereof have been varied and amended by the Council so as to conform (except for the names, addresses and description of the parties including the particulars, if any, inserted in the Schedule thereto and for the testimonium and attestation clauses and the execution thereof) to the form set out at Appendix 17.
- (3) For long-term business, a corporate candidate need not have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 18 if it has executed, or procured the execution of, a premiums trust deed in some other form but the trusts constituted by that deed and the provisions thereof have been varied and amended by the Council so as to conform (except for the names, addresses and description of the parties including the particulars, if any, inserted in the Schedule thereto and for the testimonium and attestation clauses and the execution thereof) to the form set out at Appendix 18.

7. Admission to membership of the Society

- (1) Admission to membership of the Society shall be granted by an authorised person.
- (2) Where an authorised person is admitting a corporate candidate to membership of the Society but is not granting it permission to underwrite insurance business at Lloyd's, the corporate candidate shall not be obliged to comply with the requirements set out in paragraphs 6(1)(c), (d), (e), (f), (g), (h), (j), (k), (m) and (n), 6(2) and 6(3) prior to admission.

8. Duration of membership of the Society

- (1) The membership of a corporate member shall commence on 1st January next following the date of grant of its application for membership of the Society or such earlier date as an authorised person may specify and shall be for an indefinite period.

9. Withdrawal of application for membership of the Society

- (1) A corporate candidate may withdraw its application for membership of the Society at any time before its admission to membership becomes effective by giving written notice of such withdrawal to -
 - (a) the Relevant Person; and
 - (b) every underwriting agent through the agency of which, or under arrangements made by or through which, it was to underwrite insurance business at Lloyd's.

10. Permission to underwrite

- (1) Permission to commence underwriting insurance business at Lloyd's shall be granted by an

authorised person.

- (2) Any such permission shall be granted for an indefinite period and for all classes of insurance business.

11. Additional requirements where permission to underwrite is to be granted after admission to membership

- (1) Where permission to underwrite insurance business at Lloyd's is to be granted separately from the grant of admission to membership of the Society, a corporate member shall -
- (a) comply with the requirements set out in paragraphs 6(1)(c), (d), (e), (f), (g), (h), (j), (k), (m) and (n), 6(2) and 6(3) no later than the coming-into-line date next before 1st January of the year in which such underwriting is sought to commence; and
 - (b) no later than the coming-into-line date next before 1st January of the year in which such underwriting is sought to commence, provide the Relevant Person in connection with the grant of permission to underwrite -
 - (i) an additional confirmation in the form set out at Appendix 41 with such variations or additions as may be agreed by an authorised person; and
 - (ii) subject to sub-paragraph (2), an additional legal opinion given by its Legal Adviser to the Society in whichever of the forms set out at Appendix 42 is applicable in the circumstances accompanied by a letter from the Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of opinion.
- (2) If variations or additions are proposed to any of the forms of opinions set out at Appendix 42, a copy of the opinion marked-up to show the proposed changes shall be delivered to the Relevant Person by the corporate member no later than 15th October next before 1st January of the year in which permission to underwrite insurance business at Lloyd's is sought to commence or such later date as the Relevant Person may permit.

PART C - CONTINUING MEMBERSHIP OF THE SOCIETY AND UNDERWRITING OF INSURANCE BUSINESS AT LLOYD'S

12. Compliance with conditions and requirements

- (1) Save as otherwise indicated in this Part C, the following conditions and requirements apply to and shall be complied with by -
- (a) every corporate member during its membership of the Society; and
 - (b) every corporate member which wishes to commence or to continue to underwrite any class of general or long term insurance business at Lloyd's.
- (2) No part of a corporate member's issued share capital shall comprise bearer shares.

13. Agreements, undertakings etc. by corporate members

(1) Every corporate member shall -

- (a) subject to sub-paragraphs (2) and (3), have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 17 for general business and, where applicable, in the form set out at Appendix 18 for long term business, and shall procure that all underwriting receipts received by or on behalf of the corporate member in respect of such business are carried to the trust fund thereby created;
- (b) upon the sixtieth anniversary of its admission to membership of the Society or such later date as the Council may permit, execute, or procure the execution of, a premiums trust deed in the then prescribed form for general business and, where applicable, long term business;
- (c) in each year as at the date referred to in paragraph 14(1)(a), duly prepare a declaration of compliance and, subject to sub-paragraph (4), provide a supporting legal opinion in whichever of the forms set out at Appendix 43 are applicable in the circumstances accompanied by a letter from the corporate member's Legal Adviser addressed to the Society confirming that, subject to sub-paragraph (4), no alterations have been made to the specified form of opinion;
- (d) have complied with, and continue to perform, all its obligations under and observe and comply with all the applicable provisions of the Membership Agreement (corporate member) and the agreements and documents referred to therein;
- (e) have complied with paragraph 6(1)(i);
- (f) in the case of a relevant US candidate, have provided to the Society, or procured the provision to the Society of, the duly completed declarations, documents and forms in relation to the application of the United States securities laws;
- (g) have at least two directors who are individuals;
- (h) deliver or have delivered within the applicable statutory time limit particulars, and any further particulars required to supplement or vary the initial registered particulars, (in each case in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable), with a copy to the Relevant Person, of each charge constituted by each deed referred to in Appendix 4 and created by the corporate member concerned, together with such supporting documentation, if any, as is prescribed by statute, provided that the corporate member is required to make the filings referred to in items 17, 18, 19 and 21 to 32 of Appendix 4 even though it has not or may not have executed the deeds listed therein;
- (i) if the corporate member's Lloyd's deposit or Lloyd's life deposit has been provided by another person (except insofar as that Lloyd's deposit or Lloyd's life deposit consists of a letter of credit or guarantee), procure that other person to deliver or have delivered within the applicable statutory time limit particulars, and any further particulars required to supplement or vary the initial registered particulars, (in each

case in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable), with a copy to the Relevant Person, of each charge constituted by each deed referred to in items 4, 6, 11 and 12 of Appendix 4, to which that other person is party, together with such supporting documentation, if any, as is prescribed by statute;

- (j) in relation to a corporate member incorporated outside England and Wales, make or have made such further filings as are set out in Appendix 2 or Appendix 3 of the opinions of its Legal Adviser provided to the Society pursuant to paragraph 6(1)(b) and sub-paragraph (1)(c) and such filings as may be required by an authorised person from time to time, in each case within the time limit applicable to such filings and any further filings required to supplement or vary such filings and, in each case, supply the Relevant Person with a copy of any such filing;
 - (k) supply or have supplied a copy of any certificate evidencing the registration or variation of a charge made pursuant to a filing made under sub-paragraphs (1)(h), (i) or (j);
 - (l) where during any year of membership a corporate member wishes to appoint an additional or replacement Sponsor, that corporate member shall provide, or shall procure that the additional or replacement Sponsor provides, such forms and information as an authorised person may require;
 - (m) where during any year of membership any person becomes an additional or replacement director of a corporate member, that corporate member shall procure that that person completes a questionnaire on fitness and propriety in whichever of the forms set out at Appendix 9 is applicable in the circumstances unless that person is a registered individual under the Individual Registration Byelaw (No. 3 of 1998) or a member of the Society; and
 - (n) where during any year of membership it requests Lloyd's as Regulating Trustee under a Premiums Trust Deed to appoint an investment manager or custodian, and subject to receiving the necessary approvals referred to in Part D, enter into:
 - (aa) a PTF investment management agreement in such form as an authorised person may approve; or
 - (ab) a PTF custody agreement in such form as an authorised person may approve.
- (2) For general business, a corporate member need not have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 17 if it has executed, or procured the execution of, a premiums trust deed in some other form but the trusts constituted by that deed and the provisions thereof have been varied and amended by the Council so as to conform (except for the names, addresses and description of the parties including the particulars, if any, inserted in the Schedule thereto and for the testimonium and attestation clauses and the execution thereof) to the form set out at Appendix 17.
- (3) For long-term business, a corporate member need not have executed, or procured the execution of, a Premiums Trust Deed in the form set out at Appendix 18 if it has executed, or procured the execution of, a premiums trust deed in some other form but the trusts

constituted by that deed and the provisions thereof have been varied and amended by the Council so as to conform (except for the names, addresses and description of the parties including the particulars, if any, inserted in the Schedule thereto and for the testimonium and attestation clauses and the execution thereof) to the form set out at Appendix 18.

- (4) If variations or additions are proposed to any of the forms of opinions set out at Appendix 43, a copy of the opinion marked-up to show the proposed changes shall be delivered to the Relevant Person by the corporate member no later than 30 days before the date to which the declaration of compliance to which the opinion relates is made up or such later date as the Relevant Person may permit.

14. Declaration of compliance

- (1) Every declaration of compliance required to be prepared by a corporate member shall be -
- (a) prepared as at the most recent date to which its accounts have been prepared;
 - (b) accompanied by the opinion and letter referred to in paragraph 13(1)(c); and
 - (c) filed with the Relevant Person for approval within six months after the date to which the accounts referred to in sub-paragraph (1)(a) have been prepared or such later date as the Relevant Person may permit.

15. Annual returns and accounts

- (1) Every annual return (as defined in paragraph 16 of the Byelaw which, for the avoidance of doubt, includes the accounts of the corporate member) prepared by a corporate member shall be filed with the Relevant Person within six months after the date to which the corporate member's accounts have been prepared or by such other date as may be set by an authorised person in relation to that corporate member.
- (2) Every copy of the accounts of the ultimate parent company of a corporate member, the immediate parent company of a corporate member and such other parent company of a corporate member as an authorised person may require, together with any translation of those accounts into English, shall be filed with the Relevant Person within six months after the date to which such company's accounts have been prepared or by such other date as may be set by an authorised person in relation to that company.

PART D – APPROVAL OF CUSTODIANS AND INVESTMENT MANAGERS

16. Approval of custodians and investment managers

- (1) The Society will approve the appointment of a person to act as custodian or investment manager for the purposes of sub-paragraphs 6(1)(e) and (h) and 13(1)(n) if the Relevant Person considers that the proposed appointee is a fit and proper person to act as custodian or investment manager (as the case may be) in relation to the corporate candidate or corporate member (as the case may be).

- (2) An application for the approval of the appointment of a person to act as custodian or investment manager shall be made by the corporate candidate or corporate member (as the case may be):-
- (a) to the Relevant Person in such form as that person may require; and
 - (b) be accompanied by such details of the proposed appointee as the Relevant Person may require in order to consider whether the proposed appointee should be permitted to act as custodian or investment manager (as the case may be)¹ in relation to the corporate candidate or corporate member (as the case may be).
- (3) The Society may from time to time review any approval given to a corporate candidate or corporate member (as the case may be) for the appointment of a custodian or investment manager and, on receipt of written notification of such review, the corporate candidate or corporate member (as the case may be) shall apply for approval under this Part D for any such custodian or investment manager to continue to act in relation to that corporate candidate or corporate member (as the case may be).
- (4) If the Relevant Person:
- (i) refuses to grant approval for any proposed appointee to act as custodian or investment manager; or
 - (ii) following the review of such appointment concludes that the custodian or investment manager is no longer fit and proper to act as such

the corporate candidate or corporate member (as the case may be) shall be notified in writing with the reason(s) for such refusal and shall procure the appointment of a new custodian or investment manager and make an application for approval of such appointee under this Part D.

PART E - CONDITIONS AND REQUIREMENTS FOR PARTICULAR CANDIDATES AND MEMBERS

17. Conditions and requirements for particular candidates and members

- (1) Save as (and to the extent) modified and provided by Schedule 1, these conditions and requirements shall apply to successor vehicles which are body corporates as they apply to corporate candidates and corporate members in general.
- (2) Save as (and to the extent) modified and provided by Schedule 2, these conditions and requirements shall apply to:
- (a) SLP candidates and SLP members; and
 - (b) successor vehicles which are Scottish limited partnerships
- as they apply to corporate candidates and corporate members in general.

¹ A note explaining Lloyd's fit and proper requirements for investment managers and custodians is available from the Relevant Person

- (3) Save as (and to the extent) modified and provided by Schedule 3, these conditions and requirements shall apply to captive corporate candidates and captive corporate members as they apply to corporate candidates and corporate members in general.

**PART F - APPROVED ARRANGEMENTS INVOLVING
SINGLE MEMBER SYNDICATES**

18. Approved arrangements involving single member syndicates

- (1) This Part applies where arrangements have been approved by an authorised person in accordance with the following provisions of this Part under which -
- (a) two or more syndicates (whether or not existing syndicates) are to be operated concurrently, with the same underwriter, in accordance with paragraph 4 of the Multiple Syndicates Byelaw (No. 5 of 1989); and
 - (b) where there are two syndicates to be operated concurrently, one of the syndicates (the "ongoing natural syndicate") includes or is to include individual members and the other syndicate (the "parallel syndicate") consists or is to consist of a single corporate member (the "single member"); and
 - (c) where there are more than two syndicates to be operated concurrently, two or more of the syndicates are or will be ongoing natural syndicates and one of the syndicates (the "consortium syndicate") consists or is to consist of a single member.
- (2) The additional conditions and requirements set out in sub-paragraphs (3) to (14) apply to every single member while it is a single member.
- (3) The single member shall procure that the managing agent shall comply with paragraphs 4, 17, 18 and 19 of the Multiple Syndicates Byelaw (No. 5 of 1989) in so far as those requirements apply in respect of the parallel syndicate or consortium syndicate and the ongoing natural syndicate or syndicates and accordingly any breach by the managing agent of any of those paragraphs shall also constitute a breach by the single member of these conditions and requirements.
- (4) The single member shall procure that, except in so far as the Council may agree otherwise in writing, the managing agent shall only effect a reinsurance programme for the parallel syndicate or consortium syndicate and the ongoing natural syndicate or syndicates if the proportions of premiums paid and of liabilities reinsured by each such syndicate are in the same proportions as are predetermined in accordance with paragraph 4 of the Multiple Syndicates Byelaw (No. 5 of 1989).
- (5) Notwithstanding the nature and content of any existing reinsurance programme of the ongoing natural syndicate or syndicates at the time the parallel syndicate or consortium syndicate commences underwriting, the single member shall procure that the managing agent shall not without the prior written consent of the Council effect any reinsurance for the parallel syndicate or consortium syndicate otherwise than in accordance with sub-paragraph (4).

- (6) Where a parallel syndicate operates concurrently with the ongoing natural syndicate in accordance with the requirements of this Part, the single member shall procure that the managing agent shall not without the prior written consent of the Council effect any reinsurance for either the parallel syndicate or the ongoing natural syndicate in addition to any reinsurance effected in accordance with sub-paragraph (4).
- (7) Where a consortium syndicate operates concurrently with ongoing natural syndicates in accordance with the requirements of this Part, the managing agent may be permitted to effect reinsurance for the consortium syndicate in addition to any reinsurance effected in accordance with sub-paragraph (4) provided that, except in so far as the Council may agree otherwise in writing, the single member pays the cost of such reinsurance otherwise than out of moneys for the time being forming part of the premiums trust funds of the single member and under the control of trustees appointed by the managing agent and otherwise than out of its Lloyd's deposit.
- (8) Subject to the requirements of the Council relating to permitted investments, moneys for the time being forming part of the premiums trust funds of the single member and under the control of trustees appointed by the managing agent may be invested in such manner as the managing agent and the single member may agree, or as the managing agent may determine, whether or not moneys forming part of the premiums trust funds of members of the ongoing natural syndicate or syndicates are invested in the same manner.
- (9) The single member shall not agree with the managing agent a basis of charging fees which is different from the basis of charging fees which the managing agent applies to any member of the ongoing natural syndicate.
- (10) The expenses and outgoings incurred in connection with the underwriting carried on by the parallel syndicate or consortium syndicate and the ongoing natural syndicate or syndicates shall be borne by each such syndicate in the same proportions as are predetermined in accordance with paragraph 4 of the Multiple Syndicates Byelaw (No. 5 of 1989).
- (11) The single member shall procure that the managing agent shall not, in carrying out its functions in relation to the parallel syndicate or consortium syndicate and the ongoing natural syndicate or syndicates, discriminate in any material respect in favour of the parallel syndicate or consortium syndicate or treat the parallel syndicate or consortium syndicate in any material respect more favourably than the ongoing natural syndicate or syndicates.
- (12) The single member and the managing agent on behalf of the members of each ongoing natural syndicate shall execute a Syndicate and Arbitration Agreement substantially in the form set out in Schedule 2 to the standard managing agent's agreement (general) contained in Schedule 3 to the Agency Agreements Byelaw (No. 8 of 1988) with such modifications (if any) as may be required or approved by an authorised person.
- (13) An application for approval of an arrangement under this Part -
 - (a) shall be made to an authorised person in such form as an authorised person may require;
 - (b) shall be signed by or on behalf of the managing agent and the proposed single member; and

- (c) shall be accompanied by a sponsorship declaration in such form as an authorised person may require given by a person approved by an authorised person to act as sponsor for the purposes of this Part.
- (14) A material change in any information furnished to the Society in connection with an application under sub-paragraph (13) is a prescribed event for the purpose of paragraph 14(3)(c)(iii) of the Byelaw.

PART G - MISCELLANEOUS

19. Specified forms

- (1) An authorised person may at any time alter or replace any of the appendices to these conditions and requirements or any of the other documents and forms referred to in these conditions and requirements.

20. Exemptions

- (1) The Relevant Person may at any time grant a corporate candidate or corporate member exemption from such provisions of these conditions and requirements and on such terms and conditions as he sees fit.
- (2) A discretionary fee to cover administration costs may be levied per exemption and members and candidates will be notified of this fee at a later date by the Relevant Person.

21. Commencement

- (1) These conditions and requirements shall come into force on 21st September 1993.

SCHEDULE 1

Conditions and requirements for successor vehicles which are body corporates

1. These conditions and requirements shall be modified in the manner specified below in their application to successor vehicles which are body corporates:

Paragraph	Modification
3(1)(d)	As though, in the case of a private successor vehicle, that paragraph referred to "one director who is an individual" rather than to "two directors who are individuals".
4(1)(a)(i)	As though the words "a Lloyd's adviser or" were deleted.
10(2)	As though, in the case of a qualifying successor vehicle: <ol style="list-style-type: none">(a) that paragraph referred to "a period of 5 years starting on the date on which its membership of the Society commences" rather than to "an indefinite period"; and(b) the sentence "Permission to continue underwriting thereafter shall be conditional upon the qualifying successor vehicle complying with these conditions and requirements and the Combined Requirements as they would apply to it if it were not a qualifying successor vehicle." was added as a second sentence.
13(1)(g)	As though, in the case of a private successor vehicle, that paragraph referred to "one director who is an individual" rather than to "two directors who are individuals".

SCHEDULE 2

Conditions and requirements for Scottish limited partnerships (including successor vehicles which are Scottish limited partnerships)

Part 1

1. These conditions and requirements

- (1) These conditions and requirements shall be modified in the manner specified in Part 2 of this Schedule in their application to Scottish limited partnerships.
- (2) A document which is in the form set out in an appendix to these conditions and requirements shall also be the specified form in respect of an SLP member or an SLP candidate unless an authorised person shall specify a different form.

2. Eligibility

- (1) An SLP member shall be a legal person formed under the laws of Scotland and shall as from its formation -
 - (a) have its principal place of business in Scotland;
 - (b) be a legal person capable of complying with section 8(1) of Lloyd's Act 1982;
 - (c) not have engaged in any business or commercial activity (conditionally or otherwise) except for the purposes of applying to become a member of the Society or raising any funds required to enable it to do so;
 - (d) comprise no more than 20 partners; and
 - (e) be registered as a limited partnership in accordance with the provisions of the Limited Partnerships Act 1907 with the Registrar of Companies in Scotland.

3. Partnership agreement

- (1) The partners of an SLP shall enter into a partnership agreement which shall -
 - (a) satisfy the requirements as to its form and content set out in Part 3 of this Schedule; and
 - (b) otherwise be in terms approved by an authorised person.
- (2) The partnership agreement shall not be amended or varied in any manner without the prior written consent of an authorised person and shall be amended or varied in the manner required by an authorised person.

4. The general partner

- (1) The general partner of an SLP member (or, if more than one, each of the general partners) shall -
 - (a) be a company with limited liability;
 - (b) be registered in accordance with the Companies Act 1985 with the Registrar of Companies in Scotland;
 - (c) have a registered office situated in Scotland which, unless an authorised person otherwise gives his consent in writing, is the same as the principal place of business of the SLP member;
 - (d) not have engaged in and will not engage in any activity except for the purpose of becoming or remaining a general partner of an SLP formed as a member of the Society;
 - (e) have at least two directors who are individuals;
 - (f) not have any director or employee who is a limited partner; and
 - (g) unless the general partner shall have appointed a management company, which is a duly authorised member of IMRO, itself be a duly authorised member of IMRO.
- (2) The general partner shall complete a declaration and undertaking in whichever of the forms set out at Appendix 44 is applicable in the circumstances.
- (3) No limited partner or other person may become or act as a general partner of an SLP without the prior written approval of an authorised person. In determining whether to grant approval, the authorised person shall take into consideration the other SLPs of which that person is also, or is to be, the general partner.
- (4) The general partner may not be removed as general partner and may not give notice of resignation (or take or permit any action to dissolve the SLP) without the prior written consent of an authorised person and a suitable substitute acceptable to Lloyd's having agreed to act as general partner.

5. Continuing obligations of the general partner

- (1) The general partner shall ensure that -
 - (a) the requirements of the Limited Partnerships Act 1907 are at all times complied with in respect of the SLP;
 - (b) the SLP shall at all times during the continuance of its membership be a legal person which is capable of complying with section 8(1) of Lloyd's Act 1982;
 - (c) at all times the SLP comprises a minimum of 2 partners;

- (d) at no time shall the SLP comprise more than 20 partners including any resigning partner;
 - (e) at no time shall any limited partner take part in (or purport to take part in) the management of the partnership business such as to render himself actually or potentially liable for debts and obligations of the SLP as though he were a general partner; and
 - (f) any decisions relating to the underwriting of the SLP (including any decision to participate through a MAPA) are made and regularly reviewed by the general partner in such manner as to ensure the SLP's principal place of business is in Scotland.
- (2) The general partner shall not cause or permit any of the events listed below to occur, unless an authorised person has given his prior written consent -
- (a) the appointment of a limited partner as a director of the general partner;
 - (b) a merger between the general partner and any other body corporate;
 - (c) a merger between the SLP and any other corporate member or partnership;
 - (d) an insolvency event in relation to the general partner or the SLP;
 - (e) any event requiring the agreement of the Council under any of the provisions of the Byelaw or these conditions and requirements (including those in this Schedule); or
 - (f) any other event which the Council may prescribe for the purpose of this sub-paragraph.
- (3) The general partner shall promptly deliver to an authorised person a copy of -
- (a) any statement required to be delivered to the Registrar of Companies pursuant to section 9 of the Limited Partnerships Act 1907;
 - (b) any notice of resignation given by a limited partner;
 - (c) any notice of assignment given by a limited partner;
 - (d) any notice of intention of a limited partner to change his country of residence or his nationality or his domicile; or
 - (e) any notice of an insolvency event relating to a limited partner.
- (4) The general partner shall promptly notify the Council in writing of the occurrence of any of the following, together, in each case, with such information as an authorised person may specify -
- (a) a director of the general partner ceasing to be a director;
 - (b) its becoming aware that a person has ceased or is proposing to cease to be a

controller of that SLP or the general partner;

- (c) the appointment of an auditor of the SLP or the general partner;
 - (d) the auditor of the SLP or the general partner vacating office;
 - (e) any change in the constitution of the general partner;
 - (f) a decision to reduce the issued share capital of the general partner or any part thereof;
 - (g) the occurrence of any insolvency event in relation to the SLP or the general partner;
 - (h) a material change in any information furnished to the Council;
 - (i) the death of any limited partner; and
 - (j) any other event which the Council may prescribe for the purposes of this subparagraph.
- (5) The general partner of an SLP shall, jointly with any other general partners of that SLP, be responsible for the selection of the syndicates on which the SLP at any time is to participate or the decision for the SLP to participate through a MAPA.

6. The management company

- (1) The general partner shall not delegate responsibility for the management of the business of the SLP to any management company or any other person without the prior approval in writing of an authorised person.
- (2) If any management company shall be appointed in accordance with this paragraph 6, the management agreement shall be in terms approved by an authorised person. The management agreement shall not be amended or varied in any manner without the prior written consent of an authorised person.
- (3) Any management company shall -
 - (a) be a company with limited liability;
 - (b) be registered in accordance with the Companies Act 1985 with the Registrar of Companies in Scotland;
 - (c) have a registered office situated in Scotland which, unless an authorised person otherwise gives his consent in writing, is the same as the principal place of business of the relevant SLP member;
 - (d) have its principal place of business in Scotland; and
 - (e) be a duly authorised member of IMRO.

- (4) The general partner shall give notice in writing to an authorised person where the appointment of any management company is to terminate for any reason.

7. Admission to partnership

- (1) No person may be admitted as a partner in an SLP whether pursuant to an assignment or otherwise without the prior written consent of an authorised person. Without prejudice to the generality of this sub-paragraph (1), the authorised person shall have regard to the following factors in determining whether to grant his approval -
- (a) in the case of an individual, the age of the candidate partner;
 - (b) the financial position of the candidate partner;
 - (c) in the case of an individual, the country of residence, nationality and domicile of the candidate partner;
 - (d) in the case of a company, the country under the laws of which the candidate partner has been incorporated;
 - (e) the manner in which the SLP has been promoted to the candidate partner and any advice which the candidate partner has received; and
 - (f) the manner in which and the countries in which interests in or securities of the candidate partner have been promoted.
- (2) A limited partner shall be either an individual or a body incorporated with limited liability under the laws of one of the jurisdictions listed in Appendix 2.
- (3) An application for approval of a candidate partner shall be -
- (a) made in whichever of the forms set out at Appendix 5 is applicable in the circumstances;
 - (b) submitted to an authorised person no later than 30 September next before 1 January of the year in which the admission of that candidate partner is to take effect or such later date as the authorised person may permit;
 - (c) accompanied by -
 - (i) a notice in the form required by an authorised person containing information in relation to the manner and form in which a third party deposit is to be provided; and
 - (ii) a questionnaire on fitness and propriety in whichever of the forms set out at Appendix 9 is applicable in the circumstances unless that candidate partner is a registered individual under the Individual Registration Byelaw (No. 3 of 1998) or a member of the Society.
- (4) Every candidate partner shall execute, or procure the execution of such deeds and other

documents, in a form approved by an authorised person, binding the candidate partner to observe and perform the terms of the partnership agreement of the relevant SLP.

Part 2

Modifications for Scottish limited partnerships

Paragraph/ Appendix	Modification
3(1)	<p>As though that paragraph was deleted and the following paragraph was substituted for it:</p> <p>"Every SLP candidate shall have a general partner which has at least two directors who are individuals".</p>
3(2)	<p>As though that paragraph was deleted.</p>
4(1)(a)(i)	<p>As though, in the case of a successor vehicle which is a Scottish limited partnership, the words "a Lloyd's adviser or" were deleted.</p>
6(1)(j)	<p>As though, in the case of a successor vehicle which is a Scottish limited partnership, the words "where it has for the time being no members' agent," were deleted.</p>
6(1)(k)(ii)	<p>As though:</p> <ul style="list-style-type: none">(a) the words "the directors of the general partner" were substituted for the words "its directors"; and(b) the words "or in the case of a third party deposit provided by a limited partner who is an individual, duly supported by a certificate of an accountant" appeared after the words "certificate of its Auditor".
6(1)(m)	<p>As though that paragraph was deleted and the following paragraph was substituted for it:</p> <p>"deliver or have delivered within the applicable statutory time limit particulars (in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable) with a copy to the Relevant Person of each charge constituted by each deed to which the Scottish limited partnership is party, together with such supporting documentation, if any, as is prescribed by statute;"</p>
6(1)(n)	<p>As though that paragraph was deleted and the following paragraph was substituted for it:</p> <p>"procure delivery within the applicable statutory time limit of particulars (in a form approved by an authorised person) to the Registrar of Companies in England and Wales or Scotland (as applicable) with a copy to the Relevant Person of each charge constituted by each deed to which a partner which is a company is a party, together with such supporting documentation, if any, as is</p>

prescribed by statute;".

- 10(2) As though, in the case of a qualifying successor vehicle which is a Scottish limited partnership:
- (a) that paragraph referred to "a period of 5 years starting on the date on which its membership of the Society commences" rather than to "an indefinite period"; and
 - (b) the sentence "Permission to continue underwriting thereafter shall be conditional upon the qualifying successor vehicle complying with these conditions and requirements and the Combined Requirements as they would apply to it if it were not a qualifying successor vehicle." was added as a second sentence.
- 13(1)(g) As though that paragraph was deleted and the following paragraph was substituted for it
- "have a general partner which has at least two directors who are individuals".
- 13(1)(h) As though the same modification was made as that made to paragraph 6(1)(m) above.
- 13(1)(i) As though the same modification was made as that made to paragraph 6(1)(n) above.
- 13(1)(m) As though the words "of a general partner" were inserted in place of the words "of a corporate member".
- Appendix 3, item 4 As though that item was deleted and the following item was substituted for it:
- "Form LP5 (Application for Registration), certificate of registration and the partnership agreement."
- Appendix 3, items 6 and 7 As though those items were deleted and the following items were substituted for them:
- "A questionnaire on fitness and propriety from each partner and controller of the SLP candidate and each director of each general partner of the SLP candidate in whichever of the forms set out at Appendix 9 is applicable in the circumstances and a declaration and undertaking from each controller of each general partner of the SLP candidate and any management company in whichever of the forms set out at Appendix 44 is applicable in the circumstances."

Part 3

Form and content of a Scottish limited partnership agreement

1. Governing Laws

- (1) The agreement shall be expressed to be governed by and required to be construed in accordance with the laws of Scotland.

2. Variation

- (1) The agreement shall not be capable of being varied or amended in any manner whatsoever without the prior consent in writing of an authorised person and shall contain an express undertaking to the Society to that effect.
- (2) The provisions of the agreement shall be varied or amended in such manner as the Council shall require from time to time with effect from 1 January in any year (and shall contain an express undertaking to the Society to that effect) provided notification of the requirement shall be given in writing to the general partner not less than 3 months before that date.

3. Accounts

- (1) The accounting reference date of the SLP shall be 31 December and the accounting reference period of the SLP shall correspond to a calendar year.

4. Assignment

- (1) An assignment may relate to the whole or part of the assignor's interest in the partnership. An assignment shall take effect on 1 January (or such other date as an authorised person may permit having regard to the requirement to register changes in accordance with the Limited Partnerships Act 1907) and may only be made with the consent of and to an assignee approved by an authorised person.

5. Dissolution

- (1) No SLP shall be dissolved without the prior written consent of an authorised person and the agreement shall contain an express undertaking to the Society to that effect. No partner may, without the written consent of an authorised person -
 - (a) propose a resolution of the dissolution of the SLP; or
 - (b) make an application to a court for the dissolution of the SLP and the right to make such an application shall be excluded in the agreement; or
 - (c) take or refrain from taking any action which may result in a dissolution.

6. Resignation

- (1) A limited partner who wishes to resign must give notice of resignation no later than 31 August in any year.

- (2) The notice of resignation shall only take effect at the year end following the date as from which the last relevant year of account of every syndicate of which the SLP was a member remaining open is closed by reinsurance to close or is otherwise finally provided for. A relevant year of account for this purpose is a year of account in respect of which a third party deposit was provided by the limited partner as security for the underwriting of the SLP.
- (3) A resigning partner shall cease to be a partner of the SLP at the end of the period referred to in sub-paragraph (2) above.

SCHEDULE 3

Conditions and requirements for captive corporate candidates and captive corporate members

1. These conditions and requirements

- (1) These conditions and requirements shall be modified in the manner specified below in their application to captive corporate candidates and captive corporate members.
- (2) A document which is in the form set out in an appendix to these conditions and requirements shall also be the specified form in respect of a captive corporate candidate or captive corporate member unless an authorised person shall specify a different form.

Paragraph	Modification
------------------	---------------------

6(1)	As though that paragraph had the following sub-paragraphs added to it after sub-paragraph (o):
------	--

"(p)	where any part of the required security provision is provided in the form of a covenant to pay guaranteed by one or more group companies of the captive corporate member:
------	---

(i)	have executed, or procured the execution of, a Captive Corporate Member Covenant to Pay in the form set out at Appendix 45; and
-----	---

(ii)	procure the provision to the Society, in the form set out at Appendix 46, of a group company guarantee from one or more group companies of the captive corporate member, to be held by the Society for its benefit as part of the security provision provided in respect of the captive corporate member's underwriting of group company insurance business through one or more captive syndicates (a "Captive Corporate Member's Group Company Guarantee").
------	--

(q)	provide, or procure the provision, to the Society of a written confirmation from a rating agency approved by an authorised person that the group companies of the captive corporate member which provide the Captive Corporate Member's Group Company Guarantee (the "Guarantor Companies"), have a credit rating of A+ or better on the Standard & Poor's classification or such other classification as an authorised person may approve; and
-----	---

(r)	provide to the Society confirmation of the financial position of the Guarantor Companies by the directors of those Guarantor Companies duly supported by a certificate of their auditors each in whichever of the forms set out at Appendix 40 is applicable in the circumstances."
-----	---

7(2)	As though that paragraph also referred to paragraphs 6(1)(p), (q) and (r).
------	--

- 11(1)(a) As though that paragraph also referred to paragraphs 6(1)(p), (q) and (r).
- 13(1) As though that paragraph had the following sub-paragraphs added to it after sub-paragraph (n):
- "(o) have provided, or procured the provision, to the Society of the Captive Corporate Member's Group Company Guarantee specified in sub-paragraph 6(1)(p); and
 - (p) have provided, or procured the provision, to the Society of the confirmations of the Guarantor Companies' credit rating and financial position specified in sub-paragraphs 6(1)(q) and (r)."
- 18(9) As though that paragraph did not apply to a captive corporate member.

APPENDIX 1

Interpretation

1. Except where otherwise provided, the words and expressions used in these conditions and requirements have the meaning given to them in the Byelaw.
2. In these conditions and requirements:
 - (1) words and expressions importing the masculine gender include the feminine and neuter; and
 - (2) words in the singular include the plural and vice versa.
3. The headings in these conditions and requirements shall not affect the interpretation of these conditions and requirements.
4. In these conditions and requirements, unless the context otherwise requires -

approved charge means a fixed and floating charge in whichever of the forms set out at Appendix 36 is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7) of the Combined Requirements;

approved covenant means a deed of covenant in whichever of the forms set out at Appendix 35 is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 12(4), (5) or (7) of the Combined Requirements;

approved credit institution has the meaning given in the Combined Requirements;

approved custodian means a person approved by the Council to act as custodian in relation to a corporate candidate or a corporate member;

approved life assurance company has the meaning given in the Combined Requirements;

Auditor means a person having qualifications acceptable to the Council to act as auditor to a corporate candidate or a corporate member;

<i>authorised person</i>	means, in relation to any provision in these conditions and requirements, the Lloyd's Regulatory Board or any sub-committee thereof or any officer or employee of the Society authorised by the Lloyd's Regulatory Board to discharge the duties and functions or to exercise the powers and discretions specified in that provision;
<i>Byelaw</i>	means the Membership Byelaw (No. 17 of 1993);
<i>candidate partner</i>	means a person seeking to be admitted as a limited partner in the SLP;
<i>Combined Requirements</i>	means the conditions and requirements made under the Byelaw entitled "Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Members)" and for the time being in force;
<i>coming-into-line date</i>	means, in relation to a year of account ("Year A"), the date the Council may from time to time prescribe in the year of account immediately preceding Year A by which a member of the Society or a candidate must have provided its funds at Lloyd's if it is to be eligible to underwrite in Year A;
<i>connected person</i>	in relation to a participant, means: <ul style="list-style-type: none"> (a) a participant's spouse, his children and step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or (b) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (a) above; or (c) a body corporate of which the entire issued share capital is wholly-owned by the participant and/or one or more persons falling within (a) or (b) above;
<i>consortium syndicate</i>	has the meaning given in paragraph 18(1)(c);
<i>Conversion Rules</i>	means those rules so called and made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and for the time being in force;

<i>corporate candidate</i>	means a candidate which is not an individual;
<i>corporate member's syndicate list</i>	has the meaning given in paragraph 1(1) of the Agency Agreements Byelaw (No. 8 of 1988);
<i>Council</i>	means the Council of Lloyd's and includes its delegates and persons by whom it acts;
<i>country</i>	includes any state, province or territory;
<i>general partner</i>	means a company which is registered as a general partner of an SLP pursuant to the Limited Partnerships Act 1907;
<i>interavailability arrangement</i>	has the meaning given in the Conversion Rules;
<i>IMRO</i>	means Investment Management Regulatory Organisation;
<i>Legal Adviser</i>	means a person having qualifications acceptable to the Council to act as legal adviser to a corporate candidate or a corporate member;
<i>limited partner</i>	means an individual or company which is registered as a limited partner of an SLP pursuant to the Limited Partnerships Act 1907;
<i>management company</i>	means a company appointed by the general partner under an agreement to provide certain management or administrative services;
<i>MAPA</i>	means a members' agent pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No. 8 of 1988);
<i>Membership Agreement (corporate member)</i>	has the meaning given in paragraph 6(1)(a);
<i>ongoing natural syndicate</i>	has the meaning given in paragraph 18(1)(b);
<i>parallel syndicate</i>	has the meaning given in paragraph 18(1)(b);
<i>participant</i>	has the meaning given in the Conversion Rules;
<i>partner</i>	means a general partner or limited partner as the case may be;
<i>private arrangement</i>	has the meaning given in the Conversion Rules;
<i>private successor vehicle</i>	means a qualifying successor vehicle under a

private arrangement or promoted private arrangement where participants and/or any connected person, either:

- (a) in relation to a qualifying successor vehicle which is a body corporate, hold shares in that body corporate which represent:
 - (i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and
 - (ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or
- (b) in relation to a qualifying successor vehicle which is an SLP, are entitled to:
 - (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and
 - (ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up of the SLP;

promoted private arrangement has the meaning given in the Conversion Rules;

qualifying successor vehicle means a successor vehicle under an interavailability arrangement or a transition arrangement under which, in either case, not less than 75 per cent. of the successor vehicle's funds at Lloyd's are provided directly or indirectly by the participants;

Relevant Person means:

- (a) for the purposes of sub-paragraphs 5(2), 5(3), 5(4), 5(5), 9(1)(a), 11(1)(b), 11(2), 13(4), 15(1), 15(2) and the footnote to sub-

paragraph 16(2)(b), the General Manager Authorisation Department, Underwriting Agents or the Manager Authorisation Department, Underwriting Agents;

(b) for the purposes of sub-paragraph 16(1), 16(2) and 16(4), the Managing Director Members' Services Unit or the General Manager Members' Financial Services;

(c) for the purposes of sub-paragraphs 6(1)(m), 6(1)(n), 6(1)(o), 13(1)(h), 13(1)(i), 13(1)(j), 14(1)(c), 20(1), and 20(2) the General Manager Members' Financial Services, the Manager Members' Funds Department, the General Manager Authorisation Department, Underwriting Agents or the Manager Authorisation Department Underwriting Agents;

relevant US candidate

means a corporate candidate -

(a) incorporated in any state of the United States of America; and

(b) having shareholders who include citizens or residents of the United States of America;

resigning partner

means a limited partner who has given a notice of resignation which has yet to take effect;

Scottish limited partnership or SLP

means a limited partnership formed in Scotland under the Limited Partnerships Act 1907;

security provision

in relation to a captive corporate candidate or captive corporate member, has the meaning given in the Combined Requirements;

single member

has the meaning given in paragraph 18(1)(b);

SLP candidate

means a Scottish limited partnership, or a partnership which is in the course of formation as a Scottish limited partnership, in respect of which an application for admission as a member of the Society is being made (and "***candidate***" shall be construed accordingly);

SLP member

means a member of the Society which is a Scottish limited partnership;

<i>Society</i>	means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's;
<i>Sponsor</i>	means a person approved by the Council to act as sponsor to a corporate candidate or a corporate member;
<i>successor vehicle</i>	has the meaning given in the Conversion Rules;
<i>transition arrangement</i>	has the meaning given in the Conversion Rules;
<i>underwriting agent</i>	means a managing agent or a member's agent;
<i>year of account</i>	means an accounting year at Lloyd's currently the calendar year.

5. For the purposes of these conditions and requirements, a year of account of a syndicate shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect; and a year of account shall be treated as open until it is closed.

APPENDIX 2

Approved Jurisdictions

A corporate member or a corporate candidate may be created, formed or incorporated in one of the following jurisdictions -

any member state for the time being of the European Community;

any state or territory of Australia;

Bermuda;

British Virgin Islands;

Guernsey;

Hong Kong;

Iceland;

Isle of Man;

Japan;

Jersey;

Mauritius;

Netherlands Antilles;

New Zealand;

Norway;

Republic of South Africa;

Singapore;

Switzerland;

any state of the United States of America.

APPENDIX 3
Application Documents

1. Membership Agreement (corporate member) in whichever of the forms set out at Appendix 6 is applicable in the circumstances.
2. Subject to paragraph 5(4), opinion(s) of Legal Adviser(s) in whichever of the forms set out at Appendix 7 is applicable in the circumstances, in each case accompanied by a letter from the Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of opinion.
3. Sponsor's Questionnaire and Undertaking in the form set out at Appendix 8.
4. The corporate candidate's certificate of incorporation, constitutional document(s) and any shareholders' agreements relating to the corporate candidate (and, if so requested by an authorised person, to any holding company) and, if the originals are not in English, a translation into English certified as accurate by the corporate candidate's Legal Adviser or a notary public approved by the Council.
5. All marketing material issued by the corporate candidate containing any invitation to acquire investments in the corporate candidate or containing information calculated to lead to persons to do so.
6. A questionnaire on fitness and propriety from each director of the corporate candidate who is neither a registered individual under the Individual Registration Byelaw (No. 3 of 1998) nor a member of the Society in whichever of the forms set out at Appendix 9 is applicable in the circumstances.
7. A questionnaire on fitness and propriety from each controller of the corporate candidate in whichever of the forms set out at Appendix 9 is applicable in the circumstances.
8. A group structure chart showing and identifying -
 - (a) all the controllers of the corporate candidate; and
 - (b) all the companies controlled by a controller of the corporate candidate, including details of shareholding/ownership structure and principal activities of all companies and partnerships involved.
9. Managing agent's confirmation relating to introductory commissions in the form set out at Appendix 10.
10. Lloyd's adviser's/members' agent's confirmation(s) relating to introductory commissions and syndicate selection in the form set out at Appendix 11.
11. Corporate member's syndicate list, but only if the corporate candidate is required to provide one by paragraph 6(1)(j).
12. Power of Attorney and Declaration of Representative (Form CM35B) in the form set

out at Appendix 12.

13. United States Federal Income Tax Questionnaire (Corporate Member) (Form CM36) in the form set out at Appendix 12 with such amendments (if any) as an authorised person may approve.
14. Application for Employer Identification Number (SS-4) in the form set out at Appendix 12.
15. US Tax Agreement (Corporate Member) in the form set out at Appendix 13 with such amendments (if any) as an authorised person may approve.
16. Combined Substitute Form W-8- Certificate of Foreign Status and Substitute Form W-9- Request for Taxpayer Identification Number and Certification in the form set out at Appendix 12.
17. Drafts of any relevant custody and investment management agreements.
18. Subject to paragraph 5(4), an auditors' undertaking in the form set out at Appendix 14 accompanied by a letter from the corporate candidate's Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of undertaking.
19. Where a request is being made for the corporate candidate's accounts to be prepared otherwise than in accordance with Part VII of the Companies Act 1985 or legislation of a member state of the European Community implementing the Fourth Council Directive on Company Law (78/660/EEC), a statement of accounting policies and practices proposed to be used.
20. Notice of Provision of the Lloyd's Deposit in whichever of the forms set out at Appendix 15 is applicable in the circumstances.
21. Where all or part of the corporate candidate's funds at Lloyd's is to comprise a letter of credit or guarantee, subject to paragraph 5(4) and if requested by an authorised person, an opinion from a legal adviser to the approved credit institution or approved life assurance company providing the letter of credit or guarantee in the form set out at Appendix 16 accompanied by a letter from the corporate candidate's Legal Adviser addressed to the Society confirming that no alterations have been made to the specified form of opinion.

APPENDIX 4
Registration of Charges

1. Deposit Trust Deed (general business form) DTD (CM) G 93 (CM 121)
2. Deposit Trust Deed (long term business form) DTD (CM) L 93 (CM 122)
3. Deposit Trust Deed (third party) (general business form) DTD (CM) (TP) G 93 (CM 125)
4. Deposit Trust Deed (third party) (third party depositor) (general business form)
5. Deposit Trust Deed (third party) (long term business form) DTD (CM) (TP) L 93 (CM 126)
6. Deposit Trust Deed (third party) (third party depositor) (long term business form)
7. Security and Trust Deed (letter of credit and bank guarantee) (general business form) STD (CM) G 93 (CM 123)
8. Security and Trust Deed (letter of credit and bank guarantee) (long term business form) STD (CM) L 93 (CM 124)
9. Security and Trust Deed (Parent Company Covenant) STD (CM) (PCC) 93 (CM 127)
10. Security and Trust Deed (Direct Covenant) STD (CM) (DC) 94 (CM 128)
11. Security and Trust Deed (Parent Company Covenant) (third party depositor)
12. approved charge
13. Premiums Trust Deed (general business form) PTD G 99 (MEM 556)
14. Premiums Trust Deed (long term business form) PTD L 99 (MEM 557)
15. Deed of Adherence (general business form) (CM 403 (DTD) or CM 405 (STD) or CM 413 (STDI))
16. Deed of Adherence (long term business form) (CM 423 (DTD) or CM 425 (STD))
17. Lloyd's American Trust Deed (general business form)
18. Lloyd's American Trust Deed (long term business form)
19. Lloyd's Canadian Trust Deed
20. Membership Agreement (corporate member) MA (E&W) or MA (FOR)
21. Lloyd's American Instrument 1995 (General Business of Corporate Members)

22. Lloyd's United States Situs Surplus Lines Trust Deed
23. Lloyd's United States Situs Credit for Reinsurance Trust Deed
24. Lloyd's American Surplus or Excess Lines Insurance Joint Asset Trust Deed
25. Lloyd's American Credit for Reinsurance Joint Asset Trust Deed
26. Lloyd's Kentucky Trust Deed
27. Lloyd's Kentucky Joint Asset Trust Deed
28. Deed of Accession to Lloyd's United States Situs Surplus Lines Trust Deed
29. Deed of Accession to Lloyd's United States Situs Credit for Reinsurance Trust Deed
30. Deed of Accession to Lloyd's American Surplus or Excess Lines Insurance Joint Asset Trust Deed
31. Deed of Accession to Lloyd's American Credit for Reinsurance Joint Asset Trust Deed
32. If so required by notice in writing given by an authorised person, any other applicable Overseas Direction (as defined in either the general business form or the long term business form of the Premiums Trust Deed) which has been given