

# MARKET BULLETIN

<b>From</b>	Head Market Reporting (extn 5129)
<b>Date</b>	22 December 2005
<b>Reference</b>	Y3711
<b>Subject</b>	<b>Eligible Asset Rules – Additional Securities Ltd</b>
<b>Subject areas</b>	
<b>Attachments</b>	None
<b>Action points</b>	<b>Managing agents for immediate attention</b>
<b>Deadlines</b>	<b>31 December 2005</b>

The purpose of this bulletin is to advise managing agents of the procedure to be followed so that debts due from Additional Securities Ltd (ASL) are not restricted for solvency purposes to the PRU asset concentration level of 1%. **Action is required by 31 December 2005.**

Managing agents were advised in the market bulletin “31 December 2005 Solvency Test: Asset Rules and PTF Investment Requirements” (Y3656) issued on 31 October 2005 that an application to the FSA had been made to extend the current waiver.

The prudential rules applying to Lloyd's have been amended so that managing agents must calculate and manage capital resources and other prudential requirements for syndicates. PRU 3.2.22R(3) applies to managing agents in respect of syndicate assets. This means that the only party which may have benefit of the waiver is the managing agent for an affected syndicate and not the Society.

The FSA have, however, agreed to give a general waiver by consent so that debts due from ASL may be allowable up to **10% for solvency purposes**. This operates, as effectively, an invitation to managing agents to take up a waiver which is available on the FSA website, subject to managing agents meeting the criteria for granting of the waiver and that managing agents comply with the conditions. Under this process the waiver has been produced in a standard form and managing agents which need to take advantage of the waiver should write in to the FSA **before 31 December 2005**. Letters can be e-mailed to the waivers team at the FSA via [centralwaiversteam@fsa.gov.uk](mailto:centralwaiversteam@fsa.gov.uk).

Details of the modification can be found on the FSA website at:-

<http://www.fsa.gov.uk/pages/Doing/Regulated/Notify/Waiver/Consent/pru3.shtml> .

As a process of granting the waiver of consent managing agents should note that the FSA has accepted Lloyd's argument that the tests under s148 Financial Services & Markets Act 2000 on undue burden and / or purpose and no undue risk have been met which would otherwise apply to managing agents if the waiver was not given. Further Lloyd's has satisfied the conditions in relation to ASL set out in the modification direction.

If you have any queries relating to this bulletin, please address them to Kevin Nethersell extension 6253 (kevin.nethersell@lloyds.com) or Mike Steer extension 5709 (mike.steer@lloyds.com). This bulletin is being sent to all managing agents, recognised accountants, and market associations for information.

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Head  
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