

MARKET BULLETIN

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Title	Membership & Underwriting Requirements (Corporate Member) ("M&URs")
Purpose	To issue the new Membership & Underwriting Requirements (Corporate Member) ("M&URs") as attached
Type	Scheduled
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Summary

Members' agents and direct corporate members should note the content of this bulletin, which provides the full text of the Membership & Underwriting Requirements (Corporate Member) ("M&URs"). The new M&URs replace those issued under cover of Market Bulletin Y3988 dated 27 March 2007.

Background

The purpose of the M&URs (Corporate Member) is to set out the conditions and requirements for the admission and continuing membership of corporate members at Lloyd's. The M&URs (Corporate Member) have been updated following a review of the admission process for corporate members.

Main Changes

- New corporate member applicants no longer need to provide a legal opinion, confirmation of financial position and auditor's report on application.
- Certain categories of person are exempt from the requirement to provide a Fitness and Propriety Questionnaire, Part C paragraph 9(2)(b).
- All new corporate member applicants to be incorporated in the UK Part B paragraph 3
- New requirements for third party funding arrangements Part D, Paragraph 13(2).

Queries

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

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MEMBERSHIP AND UNDERWRITING REQUIREMENTS (CORPORATE MEMBER)

These conditions and requirements are made under paragraphs 6, 7, 11, 16, 27, 29, 32, 33, 34 and 40 of the Membership Byelaw (No. 5 of 2005).

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, 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 be either -

- (i) a company incorporated with limited liability under the laws of England & Wales or Scotland;
- (ii) a LLP; or
- (iii) a *Scottish limited partnership*

and in each case capable of complying with section 8(1) of Lloyd's Act 1982.

(2) Every company candidate, LLP candidate or SLP candidate shall comply with the provisions set out in Part 1 of whichever Schedule is applicable to that corporate candidate.

4. Retention of professional advisers

Every corporate candidate shall prior to the making of its application for membership of the Society have retained the services of -

- (i) a legal adviser; and
- (ii) an auditor.

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 submitted to the *Council* -
 - (i) in respect of an application to commence *underwriting* on 1st January in any one year, by 30th September (or the last working day before that date) in the preceding year, or by such later date as the *Council* may permit;
 - (ii) in respect of an application to commence *underwriting* at any other time, by no later than three months prior to the intended *underwriting* start date, or by such later date as the *Council* may permit.
- (2) Every application made pursuant to sub-paragraph (1) above shall comprise the Stage 1 documentation listed in Part 2 of whichever Schedule is applicable to that corporate candidate.
- (3) Subject to sub-paragraph 6(2), in respect of an application pursuant to sub-paragraph (1) above the Stage 2 documentation listed in Part 3 of the applicable schedule shall be submitted to the *Council* by or on behalf of the corporate candidate –
 - (i) in respect of an application to commence *underwriting* on 1st January in any one year, by no later than the coming into line date in the preceding year, or by such later date as the *Council* may permit;
 - (ii) in respect of an application to commence *underwriting* at any other time, by no later than one month prior to the intended *underwriting* start date, or by such later date as the *Council* may permit.

6. Agreements, undertakings etc by corporate candidates

- (1) Every corporate candidate shall enter into and provide, or procure the provision of, the applicable Stage 1 and Stage 2 documentation listed in parts 2 and 3 of whichever Schedule is applicable to that corporate candidate.
- (2) All such documentation shall be in the prescribed form, subject to any variations or additions thereto as may be agreed by the *Council*. If any variations or additions are proposed to any form of legal opinion or auditor's undertaking to be submitted as part of the Stage 2 documentation, a marked up version of the opinion or undertaking should be submitted to the *Council* for consideration as soon as practicable prior to the deadline for submission.
- (3) A document which has been executed in a prescribed form other than the current prescribed form shall suffice if the provisions thereof have been varied and amended by the *Council* so as to conform (except for, as applicable, the names, addresses and description of the parties and for the testimonium and attestation clauses and the execution thereof) to the current prescribed form of that document.
- (5) Every corporate candidate in which interests are held by US persons shall duly complete and provide, or procure the provision of, to the Society such

additional declarations, documents and forms in relation to the application of the United States securities laws as the *Council* may require.

- (6) Every corporate candidate shall:
- (i) to the extent that it applies, comply with, or ensure is complied with, the requirements of Part XII of the Companies Act 1985 for the registration of each charge created by its execution of, or by its becoming party to or otherwise, any deed or other document in connection with its proposed activities as an underwriting *member* of Lloyd's;
 - (ii) if the corporate candidate's *Lloyd's deposit* or Lloyd's life deposit has been provided by another person to whom Part XII of the Companies Act 1985 applies (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 comply with, or ensure is complied with, the requirements of Part XII of the Companies Act 1985 for the registration of each charge created by that other person's execution of, or by its becoming party to or otherwise, any deed or other document in connection with the corporate candidate's proposed activities as an underwriting *member* of Lloyd's; and
 - (iii) in relation to a company candidate incorporated outside England and Wales or Scotland, 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 paragraph 6(1).

7. Admission to membership of the Society

Where the *Council* is admitting a corporate candidate to membership of the Society but is not at that time granting it permission to underwrite insurance business at Lloyd's, the corporate candidate shall not be obliged to provide, prior to admission, such Stage 1 and Stage 2 documentation as the *Council* may agree.

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

8. Compliance with conditions and requirements

Save as otherwise indicated, the following conditions and requirements apply to and shall be complied with every *corporate member* of the Society.

9. Agreements, undertakings etc by corporate members

- (1) Every *corporate member* shall -
- (a) procure that all *underwriting* receipts by or on behalf of the *corporate member* in respect of such business are carried to the *premiums trust fund* subject to a *premiums trust deed* in the form prescribed for *general business* and/or *long term business* as appropriate;
 - (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) on a continuing basis throughout the period of its membership:
 - (i) comply with the requirements of paragraphs 6(5) and 6(6) of Part B;
 - (ii) comply with the provisions set out in Part 1 of whichever Schedule is applicable to that category of *corporate member*,
 - (iii) as and when requested should the circumstances so arise, provide and/or procure the provision of a deed of undertaking of the type listed at section 2 of Part 3 of whichever Schedule is applicable to the *corporate member*;
 - (iv) as and when requested, provide the documents listed at sections 6 – 10 of Appendix 2;
- (d) supply or have supplied a copy of any certificate evidencing the registration or variation of a charge made pursuant to a filing made under paragraph 6(6).

- (2) (a) Where during any year of membership any person becomes
 - (i) an additional or replacement director of a *corporate member*;
 - (ii) a controller of a *corporate member*;
 - (iii) a member of a *corporate member* which is a LLP;
 - (iv) a partner of a *corporate member* which is a *Scottish limited partnership*;

that *corporate member* shall procure that that person completes a questionnaire on fitness and propriety in whichever of the prescribed forms is applicable in the circumstances, unless that person is exempted from the requirement to do so pursuant to sub-paragraph (b) below).

- (b) Unless the *Council* shall otherwise require, the following persons are exempted from providing a questionnaire on fitness and propriety under sub-paragraph (a) above:
 - (i) a *registered individual* under the Individual Registration Byelaw (No. 3 of 1998);
 - (ii) a *member* of the Society;
 - (iii) a person who has already been approved, or has made an application to be approved, as a director, LLP Member, *limited partner* or controller of another *corporate member* or as a director or controller of a managing agent;
 - (iv) a person who is approved by the *Financial Services Authority* as a controller of an authorised firm; or
 - (v) a company that is to be an intermediate controller of the *corporate member*.

- (3) The provisions of paragraphs 6(2) and 6(3) shall apply to such documentation as is required to be entered into by a *corporate member* of the Society.

10. Declaration of compliance

- (1) Every declaration of compliance required to be prepared by a *corporate member* shall –
 - (a) be in the prescribed form and prepared as at the date each year prescribed by the *Council*;
 - (b) contain such information relating to the collateral supporting any letters of credit provided as part of the *corporate member's* Funds at Lloyd's as the *Council* may require; and
 - (c) be filed with the *Council* for approval within 30 days after the date to which the declaration of compliance has been prepared.
- (2) In the case of a *corporate member* which is a company incorporated in a jurisdiction outside of the United Kingdom or which is a SLP, the declaration of compliance filed with the *Council* pursuant to sub-paragraph (1)(c) shall be accompanied by a legal opinion in the prescribed form, or in such other form as the *Council* may permit.

11. Submission of accounts

- (1) Every *corporate member* which is a company incorporated and/or registered in a jurisdiction outside of the United Kingdom, or which is a *Scottish limited partnership*, shall submit its accounts to the *Council* within six months of the date to which the accounts have been prepared.

PART D – APPROVAL OF CUSTODIANS AND INVESTMENT MANAGERS AND THE PROVISION OF FUNDS AT LLOYD'S

12. Approval of custodians and investment managers

- (1) The *Council* will approve the appointment of a person to act as custodian or investment manager for the purposes of paragraphs 13(1)(b) and (f) if the *Council* considers that the proposed appointee is a suitable person to act as custodian or investment manager in relation to the corporate candidate or *corporate member*.
- (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*:
 - (a) to the *Council* in such form as the *Council* may require; and
 - (b) be accompanied by such details of the proposed appointee as the *Council* may require in order to consider whether the proposed appointee should be permitted to act as custodian or investment manager in relation to the corporate candidate or *corporate member*.
- (3) The *Council* may from time to time review any approval given to a corporate candidate or *corporate member* for the appointment of a custodian or investment manager and, on receipt of written notification of such review, the

corporate candidate or *corporate member* 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*.

- (4) If the *Council*:
- (a) refuses to grant approval for any proposed appointee to act as custodian or investment manager; or
 - (b) 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* shall be notified in writing with the reason(s) for such refusal or conclusion 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.

- (5) In respect of an application pursuant to paragraph 12(2), every corporate candidate shall deliver to the *Council*, in respect of an application to commence *underwriting* on 1st January in any one year, by no later than 30th September (or the last working day prior to that date) in the preceding year, or in respect of an application to commence *underwriting* at any other time, by no later than three months prior to the intended *underwriting* start date, or in either case by such later date as the *Council* 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 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.

13. Provision of Funds at Lloyd's

- (1) Where necessary to comply with its funds at Lloyd's obligations, every corporate candidate or *corporate member* shall -
- (a) have executed, or procured the execution of, one or more trust deeds (as listed in Appendix 2) each in the prescribed form for the holding of *Lloyd's deposits* as applicable in the circumstances and, where applicable, for the holding of Lloyd's life deposits as applicable in the circumstances;
 - (b) pay, transfer or provide to the Society or (subject to the necessary approvals referred to in paragraph 12) an approved custodian any sums or investments forming part of its *Lloyd's deposit* in respect of *general* and/or *long term business* 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;
 - (c) (subject to the necessary approvals referred to in paragraph 12) enter into or where appropriate procure another person to enter into -

- (i) a *Lloyd's deposit* investment management agreement in the appropriate prescribed form (or such other form as the *Council* may agree); and/or
 - (ii) a *Lloyd's deposit* custody agreement in the appropriate prescribed form (or such other form as the *Council* may agree);
- (d) procure the provision to the Society of -
- (i) any letter of credit in a prescribed form without any material addition to such terms and which has been completed in strict compliance with the notes for completion or is otherwise in a form approved by the *Council*; or
 - (ii) any guarantee in a prescribed form without any material addition to such terms and which has been completed in strict compliance with the notes for completion or is otherwise in a form approved by the *Council*;

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;

- (e) procure the provision to the Society of a credit institution confirmation in the prescribed form if any letter of credit or guarantee referred to in sub-paragraph (1)(d) is provided to the Society, together with, in the case of a letter of credit, the following information:
- (i) details of any company procuring the provision of the letter of credit (if not procured by the *corporate member*);
 - (ii) details of any collateral provided to the financial institution providing the letter of credit;
 - (iii) if any company procuring a letter of credit under (i) above is a regulated company, confirmation from that company that the collateral is being treated correctly in accordance with local regulatory requirements;
- (f) in the case of a company candidate or *corporate member* which is a company only, 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 prescribed form

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 prescribed form and a covenant and charge custody agreement in whichever of the prescribed forms is

applicable in the circumstances both with such variations or additions as the *Council* may approve or in such other form as it may approve;

- (g) 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) 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, in each case in whichever of the prescribed forms applicable in the circumstances.
- (2) Where more than 10% of the funds at Lloyd's of a company candidate or *corporate member* which is a company are to be provided or procured directly or indirectly by a third party other than a parent undertaking or connected company (for example, by way of a reinsurance contract), the company candidate or *corporate member* shall procure the provision to the Society of -
 - (a) a Third Party Funding Arrangement form, in whichever of the prescribed forms is applicable, completed by the third party; and
 - (b) a copy of any agreement (including any signed reinsurance contract) evidencing the provision or procurement of funds at Lloyd's.

PART E - MISCELLANEOUS

14. Specified forms

The *Council* may at any time alter or replace any of the documents and forms referred to in these conditions and requirements.

15. Exemptions

- (1) The Director, Finance, Risk Management and Operations 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 *Council*.

16. Commencement

These conditions and requirements shall come into force on 10 September 2007. The Membership and Underwriting Requirements (Corporate Member) which came into force on 6 March 2007 are hereby revoked.

SCHEDULE 1

Applications by company candidates

Part 1 - Provisions to be complied with by company candidates

1. No part of a company candidate's issued share capital shall comprise bearer shares.
2. A company candidate shall have at least one director who is an individual.
3. A company candidate which has two or more corporate directors shall also have an equivalent number of directors who are individuals.

Part 2 - Stage 1 application documentation

1. Application form (CM88).
2. Lloyd's Membership Agreement (Form MA(E&W)).
3. Fitness and Propriety questionnaire for every director of the company candidate (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements) (CM250 or CM251).
4. Fitness and Propriety questionnaire for every controller of the company candidate (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements) (CM250, CM251 or CM262).
5. Certificate of incorporation of the company candidate (or equivalent constitutional documents) and any shareholders' agreements relating to the company candidate (and to any holding company).
6. Detailed structure chart, identifying: all controllers of the company candidate and all connected companies (including the level of interest held by each controller in the company which it controls); the jurisdiction in which each controller is incorporated (including the registration number of the corporate controller or equivalent if registered outside the UK); where a controller is a regulated entity, the name of the regulatory body and its regulator's reference number (where applicable); all insurance and reinsurance carriers, underwriting agents, corporate members and Lloyd's brokers within the group; and whether any company is listed on any stock exchange.
7. Drafts of any proposed revised custodian agreements or investment management agreements, marked up against Lloyd's standard form.
8. Any marketing material including any information memorandum issued by, in relation to or on behalf of, the company candidate containing any invitation to acquire an interest in the company candidate, or containing information calculated to lead persons to do so.

Part 3 - Stage 2 application documentation

1. The documentation listed in Appendix 2 hereto, in the appropriate prescribed form for a company candidate.
2. If the company candidate is controlled by an *individual member*, or controlled by an individual who controls another *member* (including a *member* which is a LLP or *Scottish limited partnership* in which that individual participates), a deed of undertaking in the appropriate prescribed form.
3. Any documentation required to be provided pursuant to paragraph 13(2) of these conditions and requirements.
4. If the company candidate has for the time being no *members' agent*, a duly completed *corporate member's syndicate list*.

SCHEDULE 2

Applications by LLP candidates

Part 1 - Provisions to be complied with by LLP candidates

1. Eligibility

A LLP candidate shall be a body corporate formed by being incorporated in England and Wales under the Limited Liability Partnerships Act 2000 and registered as such with the Registrar of Companies.

2. Members' agreement

- (1) The members of a LLP shall enter into a members' agreement which shall -
 - (a) satisfy the requirements as to its form and content set out in Part 4 of this Schedule; and
 - (b) be in terms approved by the *Council*.
- (2) Other than in respect of Schedule 2 thereof, the members' agreement shall not be amended or varied in any manner without the prior written consent of the *Council* and shall be amended or varied in the manner required by the *Council*.

3. Structure

- (1) A LLP candidate shall comprise -
 - (a) at least one member who is not a 'Non-contributing member'; and
 - (b) two corporate 'Non-contributing members', identified as such in the LLP members' agreement, at least one of which shall be a connected company of that LLP candidate's *members' agent*.
- (2) A Non-contributing member of the LLP shall not make any contribution of capacity to the LLP, nor provide any Funds at Lloyd's to support the LLP's *underwriting*, nor participate in its profits or losses.
- (3) At least one of the designated members of the LLP shall be a corporate Non-contributing member which is a connected company of that LLP candidate's *members' agent*.

4. Continuing obligations of the LLP

- (1) The LLP shall ensure that -
 - (a) the requirements of the Limited Liability Partnerships Act 2000 are at all times complied with in respect of the LLP; and
 - (b) at all the times the LLP comprises a minimum of two members.

- (2) The LLP shall not cause or permit any of the events listed below to occur, unless the *Council* has given its prior written consent -
 - (a) a merger between the LLP and any other *corporate member* or LLP;
 - (b) an insolvency event in relation to the LLP;
 - (c) 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
 - (d) any other event which the *Council* may prescribe for the purposes of this sub-paragraph.
- (3) The LLP shall promptly deliver to the *Council* a copy of -
 - (a) any statement required to be delivered to the Registrar of Companies pursuant to the Limited Liability Partnerships Act 2000;
 - (b) any notice of resignation given by a member of the LLP;
 - (c) any notice of transfer of a member of the LLP's interest in the LLP;
 - (d) any notice of intention of a member of the LLP to change his country of residence or his nationality or his domicile; or
 - (e) any notice of an insolvency event relating to a member of the LLP.
- (4) The LLP shall promptly notify the *Council* in writing of the occurrence of any of the following, together, in each case, with such information as the *Council* may specify -
 - (a) the resignation of a member of the LLP;
 - (b) the appointment of an auditor of the LLP;
 - (c) the auditor of the LLP vacating office;
 - (d) the occurrence of any insolvency event in relation to the LLP;
 - (e) a material change in any information furnished to the *Council*;
 - (f) upon becoming so aware, the death of any member of the LLP; and
 - (g) any other event which the *Council* may prescribe for the purposes of this sub-paragraph.
- (5) The members of the LLP shall be responsible for the selection of the *syndicates* on which the LLP at any time is to participate or the decision for the LLP to participate through a *MAPA*, and in each case the level of such participation.

6. Admission to membership of the LLP

- (1) No person may be admitted as a member of a LLP without the prior written

consent of the *Council*. Without prejudice to the generality of this subparagraph (1), the *Council* shall have regard to the following factors in determining whether to grant its approval -

- (a) the financial position of the candidate member;
 - (b) in the case of an individual, the country of residence, nationality and domicile of the candidate member;
 - (c) in the case of a body corporate, the country under the laws of which the candidate member has been incorporated;
 - (d) the manner in which the LLP has been promoted to the candidate member and any advice which the candidate member has received; and
 - (e) the manner in which and the countries in which interests in or securities of the candidate member have been promoted.
- (2) Subject to paragraph 3 of Part A, a member of the LLP shall be either an individual or a body incorporated with limited liability under the laws of England & Wales or Scotland.
- (3) An application for approval of a candidate member shall be -
- (a) made in whichever of the prescribed forms is applicable in the circumstances;
 - (b) submitted to the *Council* 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 *Council* may permit;
 - (c) accompanied by a questionnaire on fitness and propriety in whichever of the prescribed forms is applicable in the circumstances (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements).
- (4) Every candidate member shall execute, or procure the execution of such deeds and other documents, in a form approved by the *Council*, binding the candidate member to observe and perform the terms of the members' agreement of the relevant LLP.

Part 2 - Stage 1 application documentation

1. Application form (CM88 (LLP)).
2. Lloyd's Membership Agreement (MA (LLP)).
3. Fitness and Propriety questionnaire from every member of the LLP (CM250 (LLP) or CM251 (LLP) (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements).
4. The LLP candidate's certificate of incorporation.
5. The application for incorporation of the LLP candidate (Form LLP2).
6. Any marketing material including any information memorandum issued by, in relation to or on behalf of, the LLP candidate containing any invitation to acquire an interest in the LLP candidate, or containing information calculated to lead persons to do so.

Part 3 - Stage 2 application documentation

1. The documentation listed in Appendix 2 hereto, in the appropriate prescribed form for a LLP candidate.
2. If a member of the LLP candidate is an *individual member*, or controls another *member* (including a *member* which is a *Scottish limited partnership* of which that individual is a partner), a deed of undertaking in the appropriate prescribed form.
3. The LLP candidate's members' agreement signed by all members of the LLP.
4. Any other constitutional documents of the LLP candidate or agreements between any of the LLP candidate's proposed members.

Part 4 – Form and content of a LLP members' 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 England and Wales.
2. Variation
 - (1) Other than in relation to the contents of Schedule 2, the agreement shall not be capable of being varied or amended in any manner whatsoever without the prior consent in writing of the *Council*, provided that no such variation or amendment shall be made if it would result in any of the members losing day to day control of the LLP.
 - (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 provided notification of the requirement shall be given in writing to the LLP not less than three months before that date, and provided that no such variation or amendment shall be made if it would result in any of the members losing day to day control of the LLP.
3. Accounts

The accounting reference date of the LLP shall be 31 December (or such other date as the *Council* may with prior written consent permit) and the accounting reference period of the LLP shall correspond to a calendar year.
4. Transfer of member's share

A transfer of a member's share may relate to the whole or part of the transferor's interest in the LLP. A transfer shall be carried out in accordance with the requirements of the members' agreement and may only be made with the consent of and to a transferee approved by the *Council*.
5. Dissolution

The members' agreement shall provide that the members of the LLP may not, without the written consent of the *Council* -

 - (a) determine by resolution that the LLP is to be wound up voluntarily; or

- (b) determine by resolution that the designated members may present a petition to a court to wind up the LLP pursuant to the Insolvency Act 1986 on the grounds that the LLP is unable to pay its debts within the meaning of s. 123 of that Act.

6. Resignation

- (1) A member of the LLP who wishes to resign must give notice of resignation no later than 30 September in any year, subject to the designated members agreeing (with the prior written consent of the *Council*) to accept notice after that date.
- (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 LLP 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 the member is entitled to share in the *underwriting* profits or losses of the LLP on that year of account.
- (3) A resigning member shall cease to be a member of the LLP at the end of the period referred to in sub-paragraph (2) above.

SCHEDULE 3

Applications by SLP candidates

Part 1 - Provisions to be complied with by SLP candidates

1. Eligibility
 - (1) A SLP candidate 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) comprise no more than 20 partners (including the general partner and any continuity limited partner); and
 - (c) be registered as a limited partnership in accordance with the provisions of the Limited Partnerships Act 1907 with the Registrar of Companies in Scotland.
2. 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 4 of this Schedule; and
 - (b) be in terms approved by the *Council*.
 - (2) The partnership agreement shall not be amended or varied in any manner without the prior written consent of the *Council* and shall be amended or varied in the manner required by the *Council*.
3. The *general partner*
 - (1) The *general partner* of a SLP candidate (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 the *Council* otherwise gives his consent in writing, is the same as the principal place of business of the SLP candidate;
 - (d) not have engaged in and will not engage in any activity except for the purpose of becoming or remaining a *general partner* of a SLP formed as a *member* of the Society;
 - (e) have at least two directors who are individuals;
 - (f) subject to paragraph 4(2) below, 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 authorised by the *Financial Services Authority*, itself be authorised by the *Financial Services Authority*.
- (2) The *general partner* shall complete a declaration and undertaking in the form as prescribed by the *Council*.
- (3) No limited partner or other person may become or act as a *general partner* of an SLP without the prior written approval of the *Council*. In determining whether to grant approval, the *Council* 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 the *Council* and a suitable substitute acceptable to Lloyd's having agreed to act as *general partner*.

4. 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 two partners (including the *general partner*);
 - (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 the *Council* has given its 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 the *Council* 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 the *Council* 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 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) upon becoming so aware, the death of any limited partner; and
 - (j) any other event which the *Council* may prescribe for the purposes of this sub-paragraph.
- (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*.

5. 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 the *Council*.
- (2) If any management company shall be appointed in accordance with this paragraph 6, the management agreement shall be in terms approved by the *Council*. The management agreement shall not be amended or varied in any manner without the prior written consent of the *Council*.
- (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 or, if the *Council* shall permit, with the Registrar of Companies in England & Wales;
 - (c) have a registered office situated in Scotland which, unless the *Council* 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 authorised by the *Financial Services Authority*.
- (4) The *general partner* shall give notice in writing to the *Council* where the appointment of any management company is to terminate for any reason.

6. 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 the *Council*. Without prejudice to the generality of this sub-paragraph (1), the *Council* shall have regard to the following factors in determining whether to grant its approval -
 - (a) the financial position of the candidate partner;
 - (b) in the case of an individual, the country of residence, nationality and domicile of the candidate partner;
 - (c) in the case of a company, the country under the laws of which the candidate partner has been incorporated;
 - (d) the manner in which the SLP has been promoted to the candidate partner and any advice which the candidate partner has received; and
 - (e) 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 England & Wales or Scotland.
- (3) An application for approval of a candidate partner shall be -
 - (a) made in whichever of the prescribed forms is applicable in the circumstances;
 - (b) submitted to the *Council* 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 *Council* may permit;
 - (c) accompanied by a questionnaire on fitness and propriety in whichever of the prescribed forms 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 the *Council*, binding the candidate partner to observe and perform the terms of the partnership agreement of the relevant SLP.

Part 2 - Stage 1 application documentation

1. Application form (CM88 (SLP)).
2. Lloyd's Membership Agreement (Form MA (SLP)).
3. Fitness and Proprietary questionnaire for every limited partner of the SLP candidate (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements) (CM250 (SLP) or CM251 (SLP)).
4. Declaration and undertaking from each *general partner* of the SLP candidate and any director and controller of such *general partner* (unless exempted from the requirement to provide one pursuant to paragraph 9(2)(b) of these conditions and requirements).
5. Certificate of registration of the SLP candidate as a *Scottish limited partnership* registered in Scotland.
6. The SLP candidate's Form LP5 and acknowledgement of presentation.
7. Any management agreement between a *general partner* and a management company or any other person.
8. An executed declaration and undertaking from any management company.
9. Details of the authorisation by the *Financial Services Authority* of a *general partner* of the SLP candidate or any management company.
10. Detailed structure chart, identifying: all controllers of the SLP candidate and the *general partner*, all companies controlled by a controller of the *general partner* (including the percentage interests therein), and all insurance carriers, reinsurance companies, *underwriting agents*, *corporate members* and Lloyd's brokers within the *general partner's* group.
11. Any marketing material including any information memorandum issued by, in relation to or on behalf of, the SLP candidate containing any invitation to acquire an interest in the SLP candidate, or containing information calculated to lead persons to do so.
12. Drafts of any proposed revised custodian agreements or investment management agreements, marked up against Lloyd's standard form.

Part 3 - Stage 2 application documentation

1. The documentation listed in Appendix 2 hereto, in the appropriate prescribed form for a SLP candidate.
2. If a partner of the SLP candidate is an *individual member*, or controls another *member* (including a *member* which is a LLP of which that individual is a member), a deed of undertaking in the appropriate prescribed form.
3. The SLP candidate's limited partnership agreement signed by all members of the SLP.
4. Any other constitutional documents of the SLP candidate or agreements between any of the SLP candidate's proposed partners.

Part 4 – 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 the *Council* 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 three 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 the *Council* 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 the *Council*.
5. Dissolution
 - (1) No SLP shall be dissolved without the prior written consent of the *Council* and the agreement shall contain an express undertaking to the Society to that effect. No partner may, without the written consent of the *Council* -
 - (a) propose a resolution for 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 30 September 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 the limited partner is entitled to share in the *underwriting* profits or losses on that year of account.
- (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.

APPENDIX 1

Interpretation

1. Except where otherwise provided, the words and expressions used in these conditions and requirements shall have the meaning given to them in the Definitions Byelaw (No. 7 of 2005).
2. In these conditions and requirements:
 - (1) references to any statute, statutory provision or Lloyd's Byelaw include references to that statute, statutory provision or Lloyd's Byelaw as amended or re-enacted and in force from time to time;
 - (2) words and expressions importing the masculine gender include the feminine and neuter; and
 - (3) words in the singular include the plural and vice versa.
3. The headings in these conditions and requirements shall not affect their interpretation.
4. In these conditions and requirements, unless the context otherwise requires -

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

continuity limited partner means a limited partner which is identified in a SLP's partnership agreement as being a continuity limited partner of the SLP;

corporate candidate means an entity applying for membership of the Society and which is either a company candidate, a LLP candidate or a SLP candidate;

company candidate means a corporate candidate which complies with paragraph 3(1)(i) of these conditions and requirements;

legal adviser means a person having qualifications acceptable to the *Council* to act as legal adviser to a corporate candidate or *corporate member*;

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

LLP means a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000;

LLP candidate means a corporate candidate which complies with paragraph 3(1)(ii) of these conditions and

requirements;

management company

means a company appointed by the general partner under an agreement to provide certain management or administrative services;

resigning partner

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

SLP

mean a *Scottish limited partnership*;

SLP candidate

means a corporate candidate which complies with paragraph 3(1)(iii) of these conditions and requirements;

APPENDIX 2

Stage 2 Application Documentation (to be provided by all corporate candidates)

1. Premiums Trust Deed in the prescribed form for *general business*, and, where applicable, in the prescribed form for *long term business*.
2. Subject to paragraph 6(2), any opinion(s) of legal adviser(s) required by the *Council* in whichever of the prescribed forms is applicable in the circumstances.
3. Managing agent's confirmation relating to introductory commissions in the prescribed form.
4. Members' agent's confirmation(s) relating to introductory commissions and syndicate selection in the prescribed form.
5. Power of Attorney and Declaration of Representative (Form CM35B) in the prescribed form.
6. United States Federal Income Tax Questionnaire (Corporate Member) (Form CM36) in the prescribed form with such amendments (if any) as the *Council* may approve.
7. Application for Employer Identification Number (SS-4) in the prescribed form.
8. US Tax Agreement (Corporate Member) in the prescribed form with such amendments (if any) as the *Council* may approve.
9. Combined Substitute Form W-8 – Certificate of Foreign Status and Substitute Form W-9 – Request for Taxpayer Identification Number and Certification in the prescribed form.
10. Subject to paragraph 6(2), an auditors' undertaking in the prescribed form.
11. Notice of Provision of the Lloyd's Deposit, in whichever of the prescribed forms is applicable.
12. One or more of the following Funds at Lloyd's trust deeds, in whichever of the prescribed forms is applicable:
 - Deposit Trust Deed (General business);
 - Deposit Trust Deed (Long term business);
 - Deposit Trust Deed (Third Party deposit) (General business);
 - Deposit Trust Deed (Third Party deposit) (Long term business);
 - Security and Trust Deed (Letter of Credit and Bank Guarantee) (General business);
 - Security and Trust Deed (Letter of Credit and Bank Guarantee) (Long term business);

- Security and Trust Deed (Direct Covenant) (General business) (*company candidates only*);
 - Security and Trust Deed (Parent Company Covenant) (General business) (*company candidates only*);
 - Master agreement, Approved Covenant and Approved Charge (*company candidates only*);
13. Letter of Credit (if any), in whichever of the prescribed forms is applicable.
 14. Bank guarantee (sole guarantor) (if any), in whichever of the prescribed forms is applicable.
 15. Bank guarantee (joint guarantors) (if any), in whichever of the prescribed forms is applicable.
 16. Insurance company guarantee (if any), in whichever of the prescribed forms is applicable.
 17. Credit institution confirmation, in the applicable prescribed form.
 18. Agency agreements, in the prescribed forms.
 19. Investment management agreement, in whichever of the prescribed forms is applicable.
 20. Agreement supplemental to an investment management agreement, in the prescribed form (*company candidates only*).
 21. Custody agreement, in whichever of the prescribed forms is applicable.
 22. Custody agreement (Covenant and Charge), in the prescribed form.
 23. Deed of undertaking in respect of the Lloyd's obligations of a converting *individual member (corporate candidates which are successor vehicles only)*.