

June 2008

Our reference MSNL/I4

## MARKET SERVICES' NEWSLETTER

Welcome to the latest edition of the Members' Update keeping you updated on events within Market Services.

### **1 Taxation** - Why doesn't the profit on my UK consolidated Taxation Advice CTA1 agree to the cash I received from distribution?

In recent weeks Market Services has received a number of enquiries from members who have been trying to tie the figures in the CTA1 to the cash that they have received from distribution without success.

It is important to remember that the CTA1 reports members' share of the syndicate profit adjusted for tax purposes and only includes the result of the year of account that closed at 36 months and the calendar year movement for syndicates in run-off during that calendar year. Therefore you would not expect the CTA1 to equal the cash payment received in any year's distribution. For example, the CTA1 issued in early 2008 reported members' share of the taxable profits relating to the 2004 Underwriting Account as at 31.12.2006 and the calendar year movements of any run-off syndicates in 2006. Members should however be able to reconcile Line 1 of the CTA1 to Line E of the distribution statement received in the previous year.

The distribution process not only includes cash calls it also includes interim profit releases for underwriting years of account that have not yet closed and also non syndicate expenses. Interim profits are not currently subject to tax until the year of account closes and therefore will not feature in the current tax report eg any interim profit release in respect of the 2006 underwriting account, paid in calendar year 2008, is not taxable until 2009/10 and will therefore be included in the CTA1 received early in 2010. Expenses other than syndicate

expenses may be included within distribution but will not be included on your CTA1, instead they will be reported for tax purposes on the CTA2.

In recent years we have seen both cash calls and interim profit releases and consequently it is unlikely that the cash from distribution will reconcile to the figures in the tax report.

For further information please contact : Christine Allcott 01634 392433  
E-mail [christine.allcott@lloyds.com](mailto:christine.allcott@lloyds.com)

## **2 Release Test**

The publication of members' release test statements was brought forward this year from the end of May to 18 April. The accelerated timetable provided more time for members' agents to prepare members' profit payments ahead of Lloyd's completing central distribution processes to determine a bottom line cash result on 15 May. Further release test statements will be published in September. For active members, and those deemed active through an interavailable Funds at Lloyd's (FAL) relationship with an active member, the statements will incorporate half year results. The Market Services deadlines to apply for a release of surplus FAL are 24 October for non-active members and 27 November for active members.

Members wishing to apply for a release of surplus FAL should contact their members' agent in order that the relevant request may be submitted.

For further information please contact : Gavin Bennett 01634 392444  
E-mail [gavin.bennett@lloyds.com](mailto:gavin.bennett@lloyds.com)

## **3 Coming into Line**

Active members' mid-year Coming into Line (CIL) statements were issued to members' agents at the same time as release test statements on 18 April 2008. The calculation basis is slightly different from the release test and is used to determine whether a member has sufficient capital to support current and back year liabilities. Members are only required to inject additional capital if the mid-year CIL shortfall is greater than 10% of their Economic Capital Assessment or in excess of £100,000. Members' agents were asked to ensure members cleared shortfalls by 30 June.

Looking ahead to the 2009 year of account, active members who intend to continue underwriting will be asked to satisfy CIL requirements by 27 November.

Members who have any queries regarding their own position should contact their members' agent.

For further information please contact : Gavin Bennett 01634 392444  
E-mail [gavin.bennett@lloyds.com](mailto:gavin.bennett@lloyds.com)

#### **4 Members' Forum**

The first meeting of the new Members' Forum was held on 8 May. This initial meeting discussed the purpose of the group and the structure of future meetings and what attendees hope to achieve from the forum. We believe this initiative has been well received by those members who attended. Future meetings will be focused on the Lloyd's business timetable which will give the members of the group the opportunity to discuss topical issues. Future newsletters will contain further updates.

Since the last newsletter a number of members have expressed interest in joining this forum and it is our intention to periodically rotate the membership.

Several Market Services representatives attended the annual ALM conference on 17 June and very much enjoyed the opportunity to meet with a cross section of members. The feedback received was extremely positive and very much appreciated.

For further information please contact : Paul Box 01634 392082  
E-mail [paul.box@lloyds.com](mailto:paul.box@lloyds.com)

#### **5 Members' Agent Group**

Market Services has developed a Strategic Forum with members' agents to review selected business processes to determine how members' agents and members are best served in terms of operational efficiency and effectiveness. A Steering Group comprising of senior management representatives from each members' agent and Market Services oversees a series of Working Groups focusing on a detailed review of selected processes. The reviews consider aspects such as duplication, cost-effectiveness, interaction with other processes, timeliness, accuracy and delivery method. Processes such as auction and syndicate stamp, admissions, deaths and resignations, and funds processing have been reviewed and a number of operational actions have been identified. The Steering Group reviews the actions and monitors implementation as appropriate. By way of example, during the auction review, changes were identified to the method of notification of syndicate disclosures to members' agents to ensure that information that may influence auction bids is available in a more timely manner. This will be implemented for the forthcoming auctions in September.

For further information please contact : Karen Oliver 01634 392120  
E-mail [karen.oliver@lloyds.com](mailto:karen.oliver@lloyds.com)

## **6 Capacity Auctions**

Each year Market Services runs the Capacity Auctions overseen by the Auction Official. The capacity auction rules and guide for 2008 have now been published on the lloyds.com website. There have not been any substantive amendments made to these documents since last year's auctions.

[www.lloyds.com/capacity](http://www.lloyds.com/capacity)

The 2008 auctions will be held on the following dates:

- 2 – 3 September
- 11 – 12 September
- 23 – 24 September
- 13 – 14 November

Any members considering changing their syndicate portfolio for the 2009 year of account and who may wish to participate in any of the auctions should contact their members' agent.

For further information please contact : Sally Dunning 01634 392486

E-mail [sally.dunning@lloyds.com](mailto:sally.dunning@lloyds.com)

## **7 Centrewrite Exeat Policies**

Centrewrite will be sending out 2008 Exeat quotations to eligible members in early July. To be eligible members must have resigned with participations on the 2005 and earlier years of account only.

The Exeat quotation comprises two elements:

- The "risk premium" in respect of syndicate participations
- An estimate of future Market Services' charges likely to be incurred prior to final closure of all syndicates

Centrewrite will be reviewing its pricing policies again this year in order to offer the best possible terms to allow members to cease their membership. Meetings will be organised with members' agents at the time of quotation to discuss this year's pricing rationale.

The benefits of purchasing an Exeat policy include:

- Full / partial release of Funds at Lloyd's dependant upon interavailable participation
- Speedy cessation of membership for Tax purposes
- Tax deductible premium
- Reduced requirement to utilise an accountant for Tax return completion
- Unlimited cover against future deterioration

To date, over 5,500 members have purchased Exeat since its introduction in 1997.

For further information please contact : Chris Groom 020 7327 5504

E-mail [chris.groom@lloyds.com](mailto:chris.groom@lloyds.com)

## **8 Interest Payments**

Members are reminded that interest earned on cash held within their Funds at Lloyd's (FAL) is paid on a semi-annual basis. Interest is accrued as at 31 December and 30 June and paid away in accordance with members' instructions within a week of this date. This applies for both sterling and other currency payments.

Members who have interest paid directly to their bank accounts will see confirmation of this payment on their bank statements for January and July. Additionally, the interest payment will be reflected on the cash movement statement (CMS) which is sent to all members during the month. Members whose interest is rolled back into FAL will again have this confirmed on the CMS.

Please note all interest earned on cash held in Special Reserve Fund (SRF) must roll back into SRF in accordance with the terms of that fund and the amount will be confirmed on the CMS.

### **July 2008 Payment**

The next payment is due to be paid in early July 2008. The period covered will be 28 December 2007 to 26 June 2008, with CMS due by the end of July.

For further information please contact : Janice Baldwin 01634 392294

E-mail [janice.baldwin@lloyds.com](mailto:janice.baldwin@lloyds.com)

### **Reminder to advise Market Services re changes to Banking Details**

Members are reminded to advise Market Services of any changes they may have made to their bank details as soon as possible. The bank will not in this case do it for you.

When providing these instructions members should consider the money laundering section of this update.

### **Money Laundering**

The 2007 UK Money Laundering (ML) Regulations implementing the third ML directive came into force on 15 December 2007. These new regulations introduced to firms the concept of Customer Due Diligence which emphasises the need to obtain identification information about its customers. In Market Services' case this is you, the members. As a result with effect from 15 December 2007, any existing member providing notification of a change of bank account details directly to Market Services, for instance in respect of interest or dividend payments, must provide copy evidence that the bank account and beneficiary account name correspond to that of the member eg provision of a copy

paying-in slip. This applies only to notifications of changes or new account details provided direct to Market Services.

Please advise us in writing of any new instructions of payment details – Membership Arrangements, Market Services, Fidentia House, Walter Burke Way, Chatham, Kent, ME4 4RN or by e-mail to [membership-arrangements@lloyds.com](mailto:membership-arrangements@lloyds.com). For further information please contact Janice Baldwin or Debbie Nash by telephone on 01634 392294 and 01634 392654 respectively.

I hope you have found this newsletter informative and if you have any comments or proposals for articles to be included in future newsletters please let me know.

Jenny Laverty  
**MARKET SERVICES**

Telephone 01634 392909