

Chapter 4

Lloyd's Firms

4.1 APPLICATION

- 4.1.1** **R** This chapter applies to the *Society* and *members' advisers*.
- 4.1.2** **R** This chapter does not apply to a *members' adviser* which is subject to another chapter of *IPRU-INV*.
- 4.1.3** **D** The directions in ■ IPRU-INV 4.4.1D to ■ IPRU-INV 4.4.5D and ■ IPRU-INV 4.5.1D are given to the *Council* and to the *Society* acting through the *Council*.



4.2 PURPOSE

- 4.2.1** **G** This chapter identifies the financial resource requirements and requirements as to accounts and statements to be met by certain *firms* conducting business at Lloyd's.
- 4.2.2** **G** The directions in ■ IPRU-INV 4.4.1D to ■ IPRU-INV 4.4.5D and ■ IPRU-INV 4.5.1D are given under section 318 of the *Act* (Exercise of powers through Council), for the purpose of achieving the objective specified, as required by section 318(2) of the *Act*, in ■ IPRU-INV 4.3.1D.
- 4.2.3** **G** *Underwriting agents* are subject to regulation by the *Society* as well as by the *appropriate regulator*. In particular, they are subject to requirements as to their financial resources and as to making and maintaining accounting records, set by the *Society*. The *appropriate regulator* is satisfied that *underwriting agents* will be subject to adequate financial resource and accounting requirements as long as they remain subject to and comply with requirements at least equivalent to Lloyd's Capital and Solvency Requirements 2001 and the relevant parts of, or requirements made under Lloyd's Underwriting Agents Byelaw (No. 4 of 1984), in each case as amended and in force immediately before *commencement*. Accordingly, instead of imposing an obligation directly on *members' agents*, the directions in ■ IPRU-INV 4.4.1D to ■ IPRU-INV 4.4.5D and ■ IPRU-INV 4.5.1D require the *Society* to require those firms to comply with the relevant requirements.
- 4.2.4** **G** A *members' adviser* is not regulated by the *Society* and accordingly this chapter specifies the financial resource and accounting requirements to be met. *Firms* which fall within the scope of this chapter will be *firms* with *permission* only to advise persons on *syndicate* participation at Lloyd's. The nature of that advisory business is akin to corporate finance advice and so the applicable requirements are those in ■ IPRU-INV 3 relevant to *firms* giving corporate finance advice. *Firms* with other *permissions* will fall within the scope of other chapters of *IPRU(INV)*, *MIFIDPRU* or *INSPRU*.

4.3 SPECIFICATION OF OBJECTIVE

4.3.1

D The directions in ■ IPRU-INV 4.4.1D to ■ IPRU-INV 4.4.5D and ■ IPRU-INV 4.5.1D are given in relation to the exercise of the powers of the *Society* and of the *Council* generally, with a view to achieving the objective that *members' agents* have adequate financial resources to support, and keep and preserve adequate accounting records in respect of their business at Lloyd's.

4.4 FINANCIAL RESOURCE REQUIREMENTS

- 4.4.1** **D** The *Society* must maintain appropriate and effective arrangements to require *members' agents* to meet and continue to meet financial resource requirements at least equivalent to the requirements set out in Lloyd's Capital and Solvency Requirements 2001, as they are in force immediately before *commencement*.
- 4.4.2** **D** The *Society* must give the *FCA* a report on each *members' agent's* compliance with the financial resource requirements referred to in ■ IPRU-INV 4.4.1D as at the end of each quarter (determined by reference to each underwriting agent's *accounting reference date*).
- 4.4.3** **D** The report referred to in ■ IPRU-INV 4.4.2D must reach the *FCA* within two months of the end of the relevant quarter and must state:
- (1) whether the *Society* has any information indicating or tending to indicate that, during the quarter to which the report relates, the *members' agents* failed to meet the financial resource requirements referred to in ■ IPRU-INV 4.4.1D;
 - (2) whether, at the end of the quarter to which the report relates, the *members' agents* failed to meet the financial resource requirements referred to in ■ IPRU-INV 4.4.1D; an
 - (3) the nature and extent of any failure to comply reported under (1) or (2) and the actions taken or to be taken by the *Society* in response to this.
- 4.4.4** **D** In addition to the reports required under ■ IPRU-INV 4.4.2D, the *Society* must give the *FCA* an annual report on each *members' agents* compliance or non-compliance with financial resource requirements as at the end of that *members' agent's* financial year.
- 4.4.5** **D** The report in ■ IPRU-INV 4.4.4D must reach the *FCA* within seven months of that *members' agent's* accounting reference date and must:
- (1) confirm that:
 - (a) the *Society* has received from that *members' agent* in respect of the financial year to which the report relates, all relevant attachments to the Annual Financial Return that the *members'*

agent is required to make to the *Society* under the requirements identified in ■ IPRU-INV 4.4.1D;

- (b) that *members' agent* met the applicable financial resource requirements at the end of the financial year to which the report relates; and
- (c) the *Society* is not aware of any matters likely to be of material concern to the *FCA* relating to that *members' agent's* compliance with financial resource requirements during the year to which the report relates, or arising from the attachments referred to in (a); or

- (2) if the *Society* is unable to give any of the confirmations required under ■ IPRU-INV 4.4.5D (1)(a), (b) or (c), set out in each case the reasons why it is unable to give that confirmation.

4.4.5A **D** The *Society* must submit the reports in ■ IPRU-INV 4.4.2D to ■ IPRU-INV 4.4.5D in accordance with the *rules* in ■ SUP 16.3 (General provision on reporting).

4.4.6 **R** A *members' adviser* must comply with the requirements of IPRU-INV 3-60(3) and IPRU-INV 3-62.



4.5 ACCOUNTING RECORDS

- 4.5.1** **D** The *Society* must maintain appropriate and effective arrangements to require *members' agents* to meet the obligation to keep and preserve accounting records, set out in Lloyd's Underwriting Agents Byelaw (No 4 of 1984), Section III, paragraph 53B, as it is in force immediately before *commencement*.
- 4.5.2** **R** A *members' adviser* must comply with the requirements of ■ IPRU-INV 3.10 to ■ IPRU-INV 3.14.

