



FCA-Lloyd's Co-operation Arrangements

Preamble

The Society of Lloyd's (Lloyd's) and the Financial Conduct Authority (FCA) have statutory responsibilities, including under Lloyd's Acts 1871 - 1982 (Lloyd's Acts) and the Financial Services and Markets Act 2000 (FSMA) respectively, in relation to the supervision of insurance business underwritten in the Lloyd's market.

The FCA has the single strategic objective of ensuring that the relevant markets work well and three operational objectives:

- securing an appropriate degree of protection for consumers;
- promoting effective competition in the interests of consumers in the markets for regulated financial services; and
- protecting and enhancing the integrity of the UK financial system.

The Council of Lloyd's is responsible for regulating and directing the business of insurance at Lloyd's in line with its statutory powers, subject to its bylaws and in furtherance of the objects of the Society.

The FCA and Lloyd's have therefore agreed the following arrangements in order to maintain an effective working relationship on matters of mutual regulatory interest.

As part of its oversight of the market, the FCA will seek to benefit from Lloyd's systems and controls in respect of the monitoring of managing agents, syndicates and individuals. To the extent that Lloyd's controls are regarded as effective by the FCA, then the FCA's view of risk posed by managing agents and syndicates is reduced accordingly. However, nothing in these arrangements can fetter its discretion with respect to carrying out its statutory duties and functions.

Principles of co-operation

The FCA and Lloyd's agree that they will:

- (a) seek to dispel any confusion or misunderstanding about their different roles;
- (b) seek to achieve a complementary and consistent approach, so far as that is consistent with their independent roles;
- (c) meet and communicate regularly at appropriate levels of seniority to discuss matters of mutual interest.

The Parties shall at all times through their co-operation aim to promote efficient and effective supervision and prevent unnecessary duplication.

Confidentiality

1. Confidential information provided to Lloyd's by the FCA is governed by S. 348 of the Financial Services and Markets Act and by the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 and any successor or replacement primary or secondary legislation. Information may therefore be provided to Lloyd's for the purposes of enabling or assisting the FCA to discharge any of its public functions, or enabling or assisting Lloyd's to discharge its regulatory functions, and for no other purpose. The information remains confidential and will be used, recorded, manipulated, stored, communicated and otherwise dealt with as such by Lloyd's. Any disclosure of such information otherwise than as permitted in that Act is a criminal offence.

Authorisations

2. In respect of managing agents, the FCA and Lloyd's may share information that would assist in making judgements in relation to:
 - (a) applications for approved persons for those managing agents;
 - (b) the controllers of, or entities that may have close links to those managing agents;
 - (c) applications for the authorisation of those managing agents;
 - (d) applications for the de-authorisation or de-registration of those managing agents;
 - (e) imposing or removing or varying the permission(s) of those managing agents and/or placing restrictions or conditions on their activities; and
 - (f) the establishment, or transfer, or novation of agency responsibility, in respect of new syndicates, special purpose syndicates, or similar.
3. Notwithstanding the specific instances set out in (2) above, Lloyd's shall in any case keep the FCA informed of any material matters in relation to its interaction with syndicates and members (whether corporate or individual) which it considers will be of interest to FCA.

Supervision

4. The FCA and Lloyd's will meet on a regular basis to discuss topics that include but are not limited to:
 - (a) material issues and risks in relation to managing agents and the Lloyd's market;
 - (b) impact of market events, including systemic issues; and resultant actions to be taken by either or both Parties.
5. The FCA will provide Lloyd's with the following information in relation to managing agents:
 - (a) copies of letters relating to managing agents' periodic assessments;

- (b) the conclusions of thematic reviews relevant to the Lloyd's market;
 - (c) copies of Skilled Person notices and reports created under s166 of the Financial Services and Markets Act 2000 and any successor or replacement legislation;
6. Lloyd's will provide the FCA with information on:
- (a) assessments of risks posed by managing agents and syndicates;
 - (b) operational risk review reports;
 - (c) franchise performance directorate reviews and assessments on live and run-off managing agents;
 - (d) thematic reviews;
 - (e) proposed changes to byelaws or trust deeds.
7. None of the provisions of this section (titled Supervision) shall detract from specific or general obligations on Lloyd's to provide information, including but not limited to those under Principle 11 and SUP15.3.23.
8. No information provided to the FCA pursuant to these arrangements may be deemed or assumed by Lloyd's to have been provided to the Prudential Regulatory Authority. It will be for Lloyd's always in accordance with its regulatory obligations to ensure that all relevant regulators have been provided with information required by any regulator in connexion with its Rules or Principles.

Legal Intervention

9. Subject to any legal or regulatory requirements, the FCA and Lloyd's will share information in respect of investigations or disciplinary or enforcement action in relation to:
- (a) Managing agents
 - (b) Approved persons holding controlled functions for or on behalf of managing agents
 - (c) Individuals who act or have acted for or on behalf of managing agents
 - (d) Any other person subject to the jurisdiction of Lloyd's (including members, directors of corporate members, Lloyd's brokers and annual subscribers
 - (e) Lloyd's coverholders.
10. The FCA and Lloyd's will meet on an ad hoc basis at the request of either party to discuss enforcement and legal intervention as the possibility of enforcement or intervention action arises. Five working days in advance of such meetings, Lloyd's will provide a written report on the status of all investigations and disciplinary proceedings, including cases which have closed since the previous report. Further information and/or meetings may be required as deemed necessary.

11. The FCA and Lloyd's will inform each other of circumstances and information (including complaints) that may lead to intervention or disciplinary proceedings relating to participants in the Lloyd's market
12. Co-operation between the Parties regarding intervention, enforcement or disciplinary action shall not limit the ability of either party to exercise their powers concurrently with those of the other party.
13. The Parties acknowledge their responsibility not to prejudice investigations or proceedings, whether current or future, of either party.
14. In deciding whether to exercise its intervention powers, the FCA may have regard to the following:
 - (a) the conduct in question poses risks to the FCA's statutory objectives and strategic priorities;
 - (b) criminal offences are suspected;
 - (c) the conduct is egregious;
 - (d) the FCA has more appropriate investigation and intervention powers such as the power to compel the production of information;
 - (e) the consequences of the suspected wrong doing are not limited to the Lloyd's market;
 - (f) the suspected perpetrators includes persons not subject to Lloyd's jurisdiction;
 - (g) the proposed penalty should not be limited to the Lloyd's market.
15. In deciding whether to exercise its disciplinary powers, Lloyd's may have regard to the following:
 - (a) the conduct in question poses significant risks to Lloyd's reputation, licences, the Central Fund, members or Lloyd's policyholders;
 - (b) the consequences of the suspected wrong doing are limited to the Lloyd's market;
 - (c) the concerns relate predominantly to breaches of specific Lloyd's byelaws or requirements for which there is no equivalent FCA rule;
 - (d) Lloyd's has more appropriate investigation and disciplinary powers such as the power to order restitution for breaches of Lloyd's bylaws.
16. None of the provisions of this section (titled Legal Intervention) shall detract from specific or general obligations on Lloyd's to provide information, including but not limited to those under Principle 11 and SUP15.3.24 and 15.3.25.

Miscellaneous

17. The FCA and Lloyd's will review these co-operation arrangements regularly and will consult each other with a view to improving their effectiveness and resolving any difficulties.
18. These co-operation arrangements shall come into effect once they have been signed by both Parties. They supersede any previous co-operation

arrangements made between the FCA or its predecessor bodies and Lloyd's.

19. The FCA and Lloyd's agree to publish these co-operation arrangements on their respective websites.
20. The designated FCA contact for these arrangements is:
Mike O'Hagan, Financial Conduct Authority, 25 The North Colonnade,
London, E14 5HS
21. The designated Lloyd's contact for these arrangements is:
Paul Thornton, Society of Lloyd's, 1 Lime Street, London EC3M 7HA
22. Each party shall inform the other of changes to the designated contact in writing within ten working days.

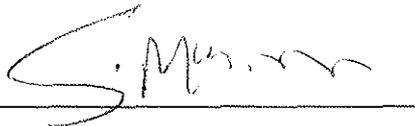
Signed on behalf of the FCA on



12/6/2013

Clive Adamson, Director of Supervision

Signed on behalf of Lloyd's on



14.6.2013

Sean McGovern, Director, Risk Management
General Counsel

