



## Direction

To: [ ] ("the firm")

Ref:

Of:

Date:

### Handbook Version as in force at the date of this Direction

#### Power

1. This direction is given by the *FSA* under section 148 of the *Act*.

#### Duration

2. (1) This direction takes effect on the date the firm notifies the *FSA* it is taking advantage of this direction.  
  
(2) This direction ends on 31 December 2007.

#### Rule Modified

3. The *FSA* directs that the *rule* listed below applies to the firm with the modification shown.

<b>Rule</b>	<b>Modification</b>
PRU 3.2.22	<p>For the purposes of the <i>general insurance business</i> carried on through it, <i>PRU</i> 3.2.22R applies to the firm with the following modifications:</p> <ol style="list-style-type: none"><li>1. <i>PRU</i> 3.2.22R(1) and (2) are replaced by the following:  "(1) A <i>firm</i> must calculate the amount of the deduction from total capital required by stage L in the Table in <i>PRU</i> 2.2.14 R respect of assets in excess of <i>market risk</i> and <i>counterparty</i> limits as the aggregate amount by which its <i>counterparty</i> exposures and asset exposures exceed the relevant limits set out in (3) and (3A). (2) Except where the contrary is expressly stated in <i>PRU</i>, whenever:</li></ol>

	<p>(a) a <i>rule</i> in <i>PRU</i> refers to assets of a <i>firm</i>, or of any part of a <i>firm</i>, or of any fund or part of a fund within a <i>firm</i>, which are assets of a kind referred to in any of the limits in (3) and (3A); and</p> <p>(b) the <i>firm's counterparty</i> exposure (or aggregate exposure arising from the <i>counterparty</i> exposures to each member of a group of closely related <i>persons</i>) or asset exposure in respect of those assets exceeds any of the limits in (3) and (3A);</p> <p>the <i>firm</i> must deduct from the measure of the value of those assets (as determined in accordance with PRU 1.3) the amount by which that exposure exceeds the relevant limit in (3) or (3A), or that portion of the deduction that relates to the part of the <i>firm</i> or fund or part of a fund in question."</p> <p>2. A new paragraph (3A) is inserted after (3) as follows:</p> <p>"(3A) Exposures to Additional Securities Limited are excluded from the limits in (3); for the purposes of (1) and (2) the limit for a <i>counterparty</i> exposure to Additional Securities Limited is 10%"</p>
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## Conditions

4. This direction is subject to the following conditions:
- (1) Additional Securities Limited is and remains a wholly owned subsidiary of Lloyd's.
  - (2) The sole activity of Additional Securities Limited remaining the provision of funds for deposit overseas in order that Lloyd's syndicates can comply with local insurance regulations.
  - (3) The aggregate *counterparty* exposure of *members* to Additional Securities Limited is and remains compliant with Article 22(1)(c) of the *Third Non-Life Directive*.
  - (4) The firm must include a note in its *return[s]* stating:
 

"The FSA, on the application of the firm, made a direction in December 2005 under section 148 of the Act. The effect of the direction is to modify PRU 3.2.22R



to increase the counterparty exposure limit to 10% for counterparty exposure to Additional Securities Limited only."

### **Interpretation**

5. Interpretative provisions (including definitions) of the *Handbook* apply in this direction in the same way as they apply to the *Handbook*.

**Waivers Team**  
**Financial Services Authority**