

Q. Why are we introducing a new LPSO Agreement?

A. Mainly because the current 2006 LPSO Agreement does not fully reflect the expectations of the current regulatory environment. Also, because the Xchanging Review Board (XRB - representing the interests of all Customers) is seeking additional controls which will enable the Customers' representatives to be more engaged in the oversight of the Services.

Q. Why should we sign a new Agreement before the end of 2015?

A. Because the LMA Board view this package as the best available at this time and we are all mindful that Solvency II becomes fully effective at 1 January 2016.

Q. How do we know that this proposed Agreement will deliver regulatory compliance?

A. We are consulting Bristows, a law firm who specialise in drafting outsourcing contracts, to confirm their opinion that the proposed Agreement would satisfy current regulatory expectations.

Q. What new features are included in the new Agreement?

A. For example, the creation of an extensive new Knowledge Repository which will contain more details regarding the services and related controls than has previously been made available. Authorised persons from each managing agency will have direct access, alongside members of the XRB, PMG and LMA. More details regarding new features can be found in the enclosed summary.

Q. What is the PMG? How does it relate to the XRB and the LMA?

A. PMG is the Professional Management Group. This small team, led by Malcolm Beane, was created earlier in the year to provide more integrated governance and oversight of the Xchanging services. It will work with and on behalf of the XRB, providing resource to supplement the limited time that XRB members have to personally oversee Xchanging activities. The PMG is appointed and managed by the Chief Executive of the LMA, and reports on its activities to the LMA Board.

Q. Will this new Agreement cost the Customers more? Will the Services change?

A. No. The scope for changes within this new Agreement has been 'Legal and Regulatory compliance' and the commercial terms are unchanged. We would expect to engage with Xchanging in a discussion of commercial terms following the implementation of a fully compliant LPSO Agreement, linked to consideration of other services supplied by Xchanging.

Q. Will current approaches to Xchanging, regarding potential takeover, affect this new LPSO arrangement?

A. We have been advised that members of the main board of Xchanging have been briefed on the proposed new LPSO agreement and have signified acceptance as the central focus

is the achievement of regulatory compliance. We are not aware of any further review being required within Xchanging. Our expectation is that the delivery of a fully compliant Agreement will be a priority for all concerned.

Q. Who has considered this package on behalf of the Customers?

A. The PMG has managed the discussions with Xchanging personnel, working closely with the Chair of the XRB and a small steering committee made up of market representatives. The views of lawyers in two managing agents have previously been sought and a series of briefing notes provided to the LMA's Regulatory Committee and to the LMA Board. Lawyers from within Bristows have been involved in the drafting and are providing assurance that the whole agreement delivers compliance, from a Customer perspective.

Q. Who will assist the XRB to implement the new features of the Agreement?

A. Implementing the new controls on behalf of the Customers will be a priority once the new agreement is in place. Consideration is being given as to how the PMG and LMA can assist the XRB to make best use of the features in the new agreement.

Q. Can I customise the Agreement for my managing agency?

A. No. As with the current LPSO agreement this will not be possible as all managing agents will need to sign the same agreement, which has been drafted on the basis of a shared services arrangement with a number of features which require the Customers to act in unison. We believe that the Agreement as presented is capable of delivering the compliant services that the whole market needs.

Q. Where can I find details of the current agreement?

A. A specimen of the current agreement can be seen in the managing agents' section of the [LMA website](#) (log in required), along with other information regarding these services.

Q. Our business also uses XIS through our company platform and has a different agreement covering this set of services, will this be updated too?

A. Yes, this agreement known as the London Processing Centre (LPC) agreement, which is managed by the IUA on behalf of the Company markets, will also be upgraded as appropriate. Our approach has been to get the LPSO contract updated and the changes signed off by our lawyers and then to update the LPC agreement. John Hobbs of the IUA has been involved throughout this renegotiation process. Timings for signature of the LPC agreement have yet to be confirmed with the IUA.

Malcolm Beane/ Kieran Flynn

PMG/LMA