

## LUMINANCE DILIGENCE USE CASE

# Part VII Transfers

## Pre-Brexit Contingency Planning

In the last few years Part VII Transfers, which enable companies to move parts of their business into new or existing legal entities. This can be done by two companies combining, one company separating business units within itself, or a company can choose to transfer its business to a third party. Part VII Transfers have become increasingly popular across the financial services industry when businesses seek to streamline operations, look to sell part of their business or as a means of anticipating regulatory change.



Although for lawyers the review procedure is very similar to an M&A due diligence exercise, as Part VII transfers involve financial institutions such as banks or insurers, they must meet requirements set by the FCA and companies must receive the FCA's approval for the transfer.

In response to Brexit, many firms are looking to transfer parts of their business into new or existing EU-based entities. The volume of documentation involved coupled with the looming Brexit deadline have made Part VII transfers, also known as insurance business transfer schemes, challenging projects for law firms and in-house legal teams. The 'new' company would be taking on existing contracts and thus need to gain a rapid understanding of what they are taking on, including ascertaining if the transfer would have any material impact with regard to existing customers, as well as seeking to confirm that the new organisation can continue servicing any existing agreements.

Often data sets frequently involve thousands of documents, while businesses need clear answers regarding the assets, liabilities, obligations and risks involved in the transfer. As considerable uncertainty about the Brexit process remains yet the time available to mitigate any business impact lessens, many firms are requiring urgent reviews about the feasibility of undertaking a Part VII transfer.

Faced with the challenge of reviewing a substantial amount documentation to a tight deadline, many lawyers are turning to Luminance to assist them in completing a full and thorough review in an expedited manner. Luminance uses a unique blend of cutting edge supervised and unsupervised machine learning developed by mathematicians from Cambridge University which reads and forms an understanding of all documents within a dataset. Luminance analyses documents, tagging key information such as contract type, dates, parties, governing law and clauses. Luminance also flags anomalies to the lawyer so that they can prioritise potential risks at the beginning of the review. Luminance displays this key information across a number of graphic, interactive widgets on the home screen, allowing lawyers to quickly filter to documents that are pertinent to a Part VII Transfer, disregarding those that are not. Using Luminance, lawyers can rapidly gain an understanding of all documents, with easy-to-use visualisation and navigation tools to help ensure lawyers have all agreements plus side letters and any amendments grouped together in order to form a complete view of that agreement.

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### Part VII Transfer

Using Luminance, lawyers are able to immediately identify standard contractual terms relevant to a Part VII Transfer, including Data Protection, Limitation of Liability, Assignment, Change of Control, Termination and Notice. Further, Luminance highlights to the reviewer the different jurisdictions that legal documents in the data set are governed by, enabling lawyers to provide clear advice on the contractual landscape of the new company, what contracts would need to be amended and how the customers would need to be notified. Luminance dramatically increases the speed of lawyers' review, placing legal teams in the same position on day one of their review as they would be after weeks of manual review methods.

Luminance comes with a range of collaboration and project management tools to ensure a seamless review across offices or home working locations, whilst also preventing duplication of valuable work effort. Features such as task creation, automatic task allocation and granular progress tracking allow the whole team to see at a glance how the project is going. Whilst working in their allotted tasks, users can apply notes to flag clauses that might have implications for the transfer; where users want to apply this note throughout the data set, they can use the bulk notes feature and all similarly-worded clauses will be tagged with the note. When the review is complete, the legal team can quickly generate a report of their findings which automatically captures all work product, which can be used internally or externally depending on the particular requirements. Recently, an international commercial bank used Luminance whilst readying their business for a range of potential Brexit outcomes including the possibility that a 'hard' Brexit would result in the UK arm of the business no longer being able to conduct seamless business with the European Economic Area. A team of lawyers were tasked with assessing a dataset of nearly 10,000 documents to determine which belonged to the UK and US arms of the business respectively. Whilst previously, the legal team had relied on costly outsourcing processes to review vast datasets, using Luminance, the team were provided with an all-encompassing insight into all documents on day one of the review. Luminance's agile system can be rapidly deployed via the cloud, and the flexibility of the platform's machine learning meant that the legal team could start their review within a matter of hours.

The bank's legal team were able to zero-in on relevant clauses, benefitting from Luminance's supervised machine learning which learns from the interaction the user has with the platform to surface similar examples across the dataset. By providing the bank with an all-encompassing insight into the documents, Luminance ensured that the legal team were able to confidently determine which parts of the business could be transferred to the US legal entity, and the potential implications of this for both its customers and the organisation. Most importantly, by using Luminance, the legal team was able to keep the work in-house, saving significant amounts of time and money while ensuring full confidence in the quality of the review. As an inherently flexible and scalable tool, Luminance can be used to assist lawyers to identify relevant provisions and provide quick and detailed advice to their businesses and clients about the viability and implications of a Part VII Transfer. Indeed, Luminance helps lawyers to gain a full understanding of the contractual landscape of the new company, what contracts would need to be amended and how the customers would need to be notified. With this understanding, businesses can satisfy regulators' conditions that the transfer is appropriate and legal, efficiently transferring agreements to the new entity once the transfer has been sanctioned.



**“Luminance’s technology allows lawyers to be the trusted advisors they trained to become.”**

Steve Cooke, Senior Partner

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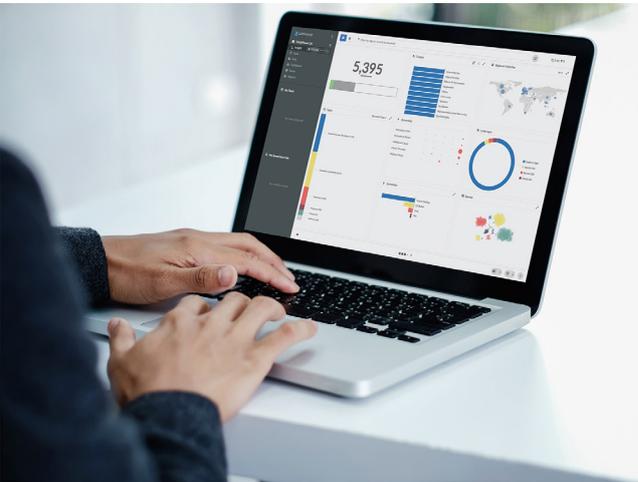
# Luminance Project Guide

## Part VII Transfer

### Scenario

You are a lawyer working for the In-House team of a leading insurance corporation. You have been tasked with conducting a time-sensitive exercise, undertaking an assessment of legal impact of a Part VII Transfer on policy holders, as per part VII FSMA 2000. You have been given a very strict deadline and it is vital that the review is consistently completed in an efficient and cost-effective manner.

Given the time pressure and the volume of documents under review, you will be deploying Luminance's market-leading artificial intelligence technology to assist the team in completing this review quickly and effectively across the whole data set. This is the only way you can fully assess the impact of the Transfer on customer rights quickly enough to allow your client to meet the FSMA 2000 requirement of reasonable notice. You will also grant the foreign counsel engaged in this review access to Luminance, to maximise speed and cost-effectiveness.



### Key Benefits

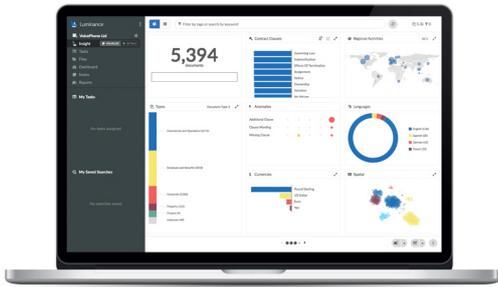
- ✓ Achieve significant time savings
- ✓ Quickly distinguish between documents according to whether part VII rules apply
- ✓ Achieve a more comprehensive review with confidence in the results

### Review Process

After the documents have been uploaded into Luminance, the workflow for conducting the review comprises 5 key steps:

1. Identify those documents which may be relevant to Transfer
2. Assign these documents to team members for review via Tasks
3. Review documents and note analysis
4. Undertake 'NOT' search to ensure full coverage of key points
5. Generate a report

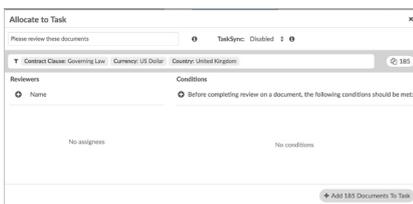
# Step 1: Identify those documents which may be relevant to Transfer



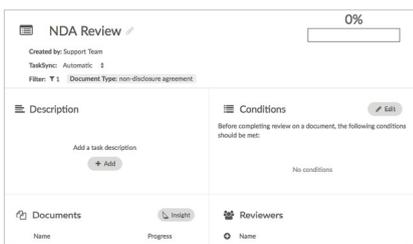
Luminance's Insight Visualise and Details screens provides lawyers with a global overview of their contracts and the ability to drill down into the key areas of the documents. Using this screen, lawyers can determine where to initially focus their review, by identifying and filtering down to relevant information, such as contract and document types, governing laws, locations, languages, anomalies and more.

Here, you can identify those documents which may be subject to a transfer, according to business unit or location. For example, identify those documents that require transfer from the US to the UK business unit, by toggling to 'US' governing laws and regional activities. Alternatively, use the filter bar to find documents that do not have a certain governing law, for example 'NOT -> Governing Law -> USA'. Further identify those documents that may bear on transfer using document and contract types by, for example, toggling to Sale and Purchase Agreements. Those documents that are neither subject to nor bear on Transfer can be deleted at this stage.

# Step 2: Assign documents to team members for review via Tasks



Using Luminance's project management tools, documents can be allocated into Tasks, allowing lawyers to focus their review. For example, if you are working with a team of lawyers, you may allocate documents to them in different tasks. This means that the lawyers will know exactly what documents they need to work on and can keep track of the progress of their review. A user can open a task that has been allocated to them by selecting the Task from the left-hand side navigation panel. Opening the Insight Details screen, the user can click on a document to open it. Once the review is complete (details below in Step 3), the user can tick through documents which have been reviewed, using the 'tick' button in the top right-hand corner of the document.



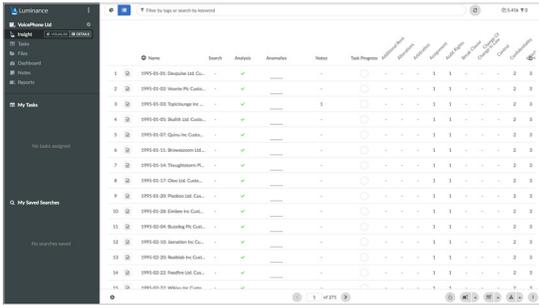
Here, users might allocate documents according to language. Toggle to those documents in a particular language, before creating a task, and assigning it to the relevant outside counsel. If most of the documents are in English, assign multiple reviewers to the 'English documents' task.

# Step 3: Review documents and note analysis



Within the document view, users can navigate to clauses of interest using the tags panel on the right-hand navigation panel. For example, click on 'assignment' in this panel to navigate to this clause within the document. Where a clause constitutes an important right of the customer, or has implication for the transfer process, click on that clause to apply a note, or apply a bulk note on clauses sharing similar language.

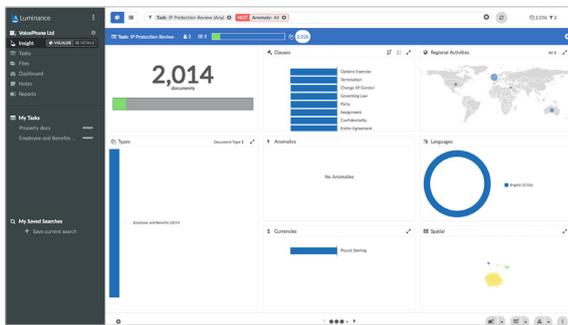
Enter a title of your choice, include your observations or recommendations in the content of the note and add note categories to collate notes on a particular theme. The severity of the note can be changed in the top left of the note widget.



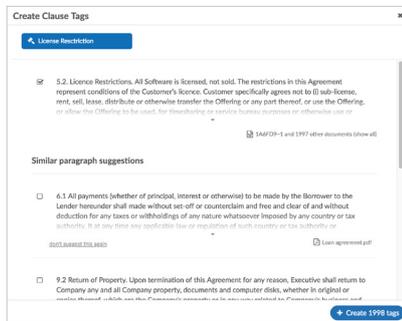
**HINT** | Users can also use the Details Screen and expand on clauses of interest using the plus icon, to conduct a rapid comparison of these. Users can also add notes in this view.

Once you have finished your review and notes for a document, tick the document as complete using the icon at the top of the document, and move on to the next document with the arrow in the same place. Repeat these steps until all documents in the task are marked as complete.

## Step 4: Undertake 'NOT' search to ensure full coverage of key points



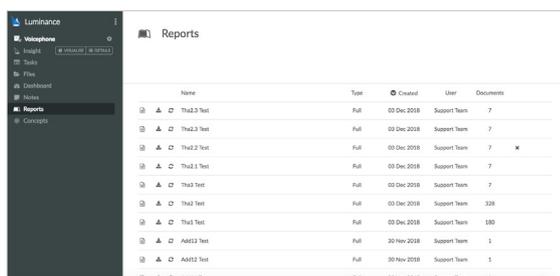
Luminance's 'NOT' filter can be used to drill down to those documents that do not include a given clause, and in this way users can ensure they are confident that they have found all relevant information. In the filter bar, enter 'Task: task name, NOT: contract clause: [clause name]' to see to those documents within your task that do not contain a given clause. Click on 'list documents' to see a list of those documents that do not contain the clause.



Then, open a document, and use the keyword search functionality within the document view to search for key words relating to that clause to ensure it has not been missed. Where an important clause has not been tagged by Luminance, and you have identified it using the above process, apply a tag (see below for detail). Note your analysis where necessary (see step 3 for detail).

Users can apply a tag by clicking on the clause, hovering over the + icon to its left, and clicking on the clause gavel. Enter the clause name and click 'create tags'. Where Luminance has not encountered the clause-type before click 'New clause: [clause name]' after typing the name into the bar, before clicking 'create tags'. Repeat this process until you are confident you have found all relevant clauses.

## Step 5: Extract a report



Luminance's report templates can be used to seamlessly collate information for communication to your client, or internally. To generate a report that summarises your analysis and recommendations, filter to the relevant documents (e.g. Customer Agreements) and select the information you need to include in the report (e.g. MAC clauses and Notes of the "Non-compliant" category). This report can then be downloaded from the Reports section.