

**FROM:** Secretary to Lloyd's Disciplinary Board  
**LOCATION:** 58/NW1  
**EXTENSION:** 5530  
**DATE:** 12 October 1999  
**REFERENCE:** 083/99  
**SUBJECT:** **SUMMARY DISCIPLINARY PROCEEDINGS**

**SUBJECT AREA(S):** Griffiths & Armour (London) Limited  
**ATTACHMENT(S):** None  
**ACTION POINTS:** **For information**  
**DEADLINE:** **None**

Griffiths & Armour (London) Limited ("Griffiths & Armour"), a Lloyd's broker, has been fined a total of £30,000 and had costs of £2,000 awarded against it.

Griffiths & Armour admitted two charges of misconduct as follows:

- i) Permitting the operation of two unregistered umbrella arrangements contrary to paragraph 4 of the Umbrella Arrangement Byelaw (No. 6 of 1988) for which they were fined £28,000 and paid costs of £1,700; and
- ii) Permitting overdrawn balances to remain on an IBA account without repaying these overdrawn balances as soon as practicable, contrary to paragraph 25(2) of the Lloyd's Brokers Byelaw (No. 5 of 1988) for which they were fined £2,000 and paid costs of £300.

#### Charges relating to unregistered umbrella arrangements

Griffiths & Armour entered into an unregistered umbrella arrangement with a non-Lloyd's broker in July 1996 as a result of which employees of the non-Lloyd's broker placed business in the Lloyd's market using Griffiths & Armour's slips.

Notwithstanding that there was not a properly registered umbrella arrangement in place, Griffiths & Armour sponsored substitute pass applications for six employees of the non-Lloyd's broker between November 1996 and January 1998. As a result of this, from November 1996, five of the applicants commenced broking the business of the non-Lloyd's broker with underwriters at Lloyd's, using Griffiths & Armour's slips.

Furthermore, during the course of meetings between Griffiths & Armour and the Lloyd's Brokers Department during 1997 and 1998 Griffiths & Armour represented that employees of the non-Lloyd's broker were also employed by Griffiths & Armour. This was not the case.

Griffiths & Armour entered into a further unregistered umbrella arrangement in November 1997 with another non-Lloyd's broker, a company related to that referred to in the previous paragraph. Even though there was not a properly registered umbrella arrangement in place, an employee of the non-Lloyd's broker was issued with a substitute pass sponsored by Griffiths & Armour on 10 November 1997. That employee commenced broking business of the non-Lloyd's broker with underwriters at Lloyd's, using Griffiths & Armour's slips.

The total premium income for business written under these unregistered umbrella arrangements was approximately US\$ 15 million.

#### Charge relating to overdrawn IBA balances

During the course of a Broker's Department Review, it was discovered that during a three month period from December 1997 to February 1998 Griffiths & Armour permitted overdrawn balances to remain on one of its IBAs. These were not repaid as soon as practicable. These overdrawn balances ranged in length from between eight days and fourteen days, and in sizeable amounts ranging between approximately US\$620,000 and US\$740,000.

In assessing the appropriate penalty regard was taken of the fact that Griffiths & Armour admitted these charges and expressed regret at these breaches. In respect of the overdrawn balances, the total IBA solvency was not threatened. The totality of the IBA accounts were not overdrawn. In addition, Griffiths & Armour has reviewed its compliance function in the light of what has occurred.

This case was determined by Lloyd's Disciplinary Board and its decision gives effect to settlement of these formal disciplinary proceedings on terms agreed between the Defendant and the Council pursuant to paragraph 3 of the Lloyd's Disciplinary Rules (Schedule 2 to the Disciplinary Committees Byelaw (No. 31 of 1996)).

This bulletin has been sent to all underwriting agents, Lloyd's advisers, Lloyd's brokers, corporate members, market associations, the ALM and recognised accountants.

A P Barber  
Secretary to the Lloyd's Disciplinary Board

