

David Rowland Chairman

24 June 1993

Ref: 096



A P Barber
Secretary To The Council
86/G12

LLOYD'S
LLOYD'S OF LONDON

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Dear Colleague,
NEW DISCIPLINARY RULES

CENTRAL REGISTER					
Registered Number					
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At its last meeting the Council of Lloyd's passed a new set of byelaws as part of the drive for a better system of enforcement at Lloyd's. These byelaws will enable cases where minor misconduct is alleged - such as failures to meet reporting deadlines - to be dealt with speedily and effectively. The system for dealing with serious matters remains in place but it is unsuitable for addressing minor breaches of the rules and the new system, which creates a jurisdiction not unlike that of the magistrates' courts, has been designed to fill the gap. This new system is an essential tool of regulation; rules which are there to ensure the efficient working of the market, and the protection of various interests within it, will not succeed in these objectives unless they are properly enforced.

The new system does not create any new offences, only a new jurisdiction for dealing with minor existing offences. The main features of the new scheme are: -

- (1) limited financial penalties (a fine of up to £5,000 and/or a daily fine of up to £1,000) and/or a judicial reprimand;
- (2) "fixed" penalties in suitable cases (which if paid would determine a case without a judicial finding);
- (3) a written procedure (if parties agree);
- (4) no outside legal representation (if parties agree);
- (5) the prosecution procedure to be conducted "in house" by Lloyd's lawyers to minimise cost;
- (6) where hearings are involved, each case to be dealt with at a single hearing;
- (7) standing "lay" committees to be set up, to take several cases at once;
- (8) simplified procedures generally, including a simplified Council confirmation stage, where that facility is requested;

- (9) a power to transfer cases which subsequently appear serious to the jurisdiction for dealing with major cases; and
- (10) the same publicity arrangements for convictions and the resulting penalties as apply to the more serious cases.

The Investigations Committee (presently chaired by Sir Maurice Hodgson) would select cases suitable for the new system. It is in no sense intended as a "sledgehammer to crack a nut" and where appropriate other sanctions would be applied; for example warnings as to repeated failures to meet deadlines which were consistently ignored could lead to a major misconduct prosecution or to the application of severe regulatory measures, where thought fit.

The efficacy of the new system will depend on the readiness of market practitioners and ex-practitioners to join the standing committees which will deal with summary cases; I very much hope that we can rely on the cooperation of those concerned in performing this important task.

The byelaws which give effect to the new system are a consolidation of the existing disciplinary and the new byelaw material is not extensive. **The rules as a whole are not therefore being circulated with this letter but copies may be obtained from Mrs Jill Bright of the Council Secretariat (X5062).**

This letter goes to all brokers, underwriting agents, active underwriters and Lloyd's auditors.

Yours sincerely,
David J. Rowland J.

