

Regulatory Bulletin

LLOYD'S
LLOYD'S OF LONDON

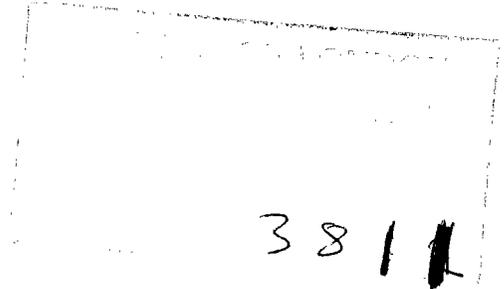
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FROM: The Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NW1
EXTENSION: 5355
DATE: 14 April 1997
REFERENCE: 031/97
SUBJECT: LLOYD'S DISCIPLINARY PROCEEDINGS -
CASE NO. 9601/2 (HUGO SUTHERLAND PILCH)

ACTION POINTS: **For information**
DEADLINE: **Effective Immediately**

On 24 June 1996 a Disciplinary Committee found Mr Hugo Sutherland Pilch guilty of one charge of conduct detrimental to the interests of Lloyd's policyholders, the Society, Lloyd's brokers, underwriting agents or others doing business at Lloyd's. Mr Pilch received the penalty of a reprimand for this offence and was ordered to pay a total of £25,000 in costs in respect of the disciplinary and related appeal proceedings.

The Disciplinary Committee had earlier dismissed an alternative charge brought against Mr Pilch of the conduct of insurance business in a discreditable manner. Following receipt of the reasoned decision of the Disciplinary Committee as to verdict, penalty and costs, Mr Pilch lodged an appeal against that decision in October 1996. However he subsequently abandoned this appeal in December 1996 and in consequence the Appeal Tribunal formally dismissed Mr Pilch's appeal on 19 March 1997.

The disciplinary proceedings brought against Mr Pilch concerned events which took place in February 1991. At the time of these events Mr Pilch was the finance director of Gooda Walker Ltd ("Gooda Walker") and a member of the Society. Gooda Walker acted as the managing agent of a number of underwriting syndicates at Lloyd's.

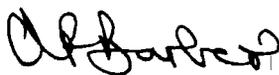
Mr Pilch was charged with causing or permitting members of syndicates managed by Gooda Walker to enter into a foreign exchange contract with Citibank N.A. ("Citibank") for the purchase of US\$36 million in circumstances where he knew or ought to have known that if sterling funds could not be obtained from the National Westminster Bank plc ("NatWest") as the syndicates' sterling bankers then the members of the syndicates concerned would have insufficient funds available to finance the purchase of the US\$36 million, thereby exposing these members to an unwarrantable risk of loss arising from the contract with Citibank. The purchase of US\$36 million from Citibank was effected on 27 February 1991.

In the event NatWest declined to reverse an earlier policy decision not to lend sterling to meet the dollar funding requirements of the members of two of the Gooda Walker managed syndicates to whom it was willing to provide borrowing facilities. As a result the foreign exchange contract with Citibank was reversed on 28 February 1991, giving rise to an exchange loss of E84,450.86 which was subsequently apportioned between the members of four of the Gooda Walker managed syndicates.

The disciplinary proceedings were determined under the provisions of the Misconduct, Penalties and Sanctions Byelaw (No. 5 of 1983), as amended, and the Disciplinary Committees Byelaw (No. 10 of 1993). New disciplinary byelaws introduced by the Council of Lloyd's in August 1996 had no application to these proceedings, which involved events occurring and charges brought before that time.

The above summary is based on the report of the proceedings before the Disciplinary Committee and the Appeal Tribunal. Copies of this report are available on request from the undersigned on Lloyd's extension 6989 or 5530.

This bulletin is being sent to all underwriting agents and Lloyd's advisers, Lloyd's brokers, corporate members, market associations, the ALM and recognised auditors.



A.P. Barber
Secretary, Lloyd's Disciplinary Board