

FROM: Secretary to Lloyd's Disciplinary Board
LOCATION: 58/NW1
EXTENSION: 5530
DATE: 14 May 1999
REFERENCE: 42/99
SUBJECT: **TREVOR MICHAEL BRADLEY & TREVOR IAN MARKS**

SUBJECT AREA(S): Formal Disciplinary Proceedings
ATTACHMENTS: Notices of Censure
ACTION POINTS: **For information**
DEADLINE: **None**

Trevor Michael Bradley and Trevor Ian Marks have each admitted one charge of discreditable conduct contrary to the Misconduct, Penalties and Sanctions Byelaw (No.5 of 1983). Mr Bradley was the Managing Director of the Knightstone Group Limited, and Mr Marks was the Managing Director of Knightstone Underwriting Limited.

Mr Bradley and Mr Marks were parties to an arrangement to support Names who were experiencing difficulties over solvency with funds from the Knightstone Group, but failed to take steps to ensure that the funds were held in an appropriate trust so as to constitute Name's Personal Reserve Fund assets for solvency purposes.

Full details of the events giving rise to the charges are contained in the attached Notices of Censure.

Mr Bradley has been fined £10,000 and censured in accordance with the terms of the attached Notice of Censure. In addition, he has agreed to pay £3,000 as a contribution towards the costs of the Council of Lloyd's. Having retired from the market in 1993, Mr Bradley has been able to provide an undertaking not to return to the market in any capacity other than as a Name.

Mr Marks has been censured in accordance with the terms of the attached Notice of Censure and has agreed to pay £3,000 as a contribution towards the costs of the Council of Lloyd's. Exceptionally, Mr Marks has not been fined due to his serious financial difficulties. Mr Marks has voluntarily provided an undertaking not to return to the market in any capacity.

This case was determined by the Lloyd's Disciplinary Board and its decision gives effect to a settlement of these proceedings agreed between both Mr Bradley and Mr Marks and the Council pursuant to paragraph 3 of the Lloyd's Disciplinary Rules (Schedule 2 to the Disciplinary Committee's Byelaw (No. 31 of 1996)).

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

AP Barber
Secretary to Lloyd's Disciplinary Board

NOTICE OF CENSURE

TREVOR MICHAEL BRADLEY

Mr Bradley has admitted one charge of misconduct namely, discreditable conduct contrary to the Misconduct, Penalties and Sanctions Byelaw (No.5 of 1983).

Mr Bradley was the Managing Director of the Knightstone Group ("KGL). He held other directorships, including a non-executive directorship in Knightstone Underwriting Limited ("KUL"), a subsidiary of KGL. Sometime during 1992, KUL took over responsibility for the Names of KMR Services Limited (formerly known as HG Poland (Agencies) Limited)("PAL"). Mr Bradley was not a director of KMR Services Limited.

During 1991 Mr Bradley as Managing Director of KGL, sanctioned an arrangement whereby certain Names/Members who were experiencing difficulties over solvency would be supported with KGL funds. At the outset in 1991 this scheme was informal and ad hoc.

Trevor Ian Marks ("Mr Marks") was a director of PAL and Managing Director of KUL and responsible for Names solvency matters. On 23rd June 1992, Mr Marks was appointed a trustee for KUL's premium trust fund including Names' personal reserve funds.

At the end of 1991 a decision was taken to place the funding scheme on a more formal basis and Mr Bradley agreed with the National Westminster Bank ("NatWest") that an account should be opened, and KGL funds were deposited into that account. At no stage were the monies in the account held in an appropriate trust for Names. No trust documentation or mandates were ever executed.

At the end of February 1992, Mr Bradley wrote to the bank indicating, subject to auditor's approval, that the funds were to be held as a 'pooled' account, rather than setting up a separate account for each Name with the relevant amount in it.

Thereafter the said account retained that status until December 1993 when it was closed and the balance transferred to KGL's account. At no time were the funds formally placed in trust under the control of PAL or KUL trustees.

On 28th February 1992 PAL submitted to Lloyd's the annual asset return for the year ending 31st December 1991. This was signed by Mr Marks and included, amongst the selected Names Personal Reserve Fund assets for solvency, amounts representing the support funds held in the said account.

The support scheme continued throughout 1992 and 1993 and on the 4th March 1993 an annual asset return was made by KUL, which again included support scheme funds represented as Name's Personal Reserve Fund assets for solvency.

In November 1993 Lloyd's Members Agency Services Limited was appointed as substitute members agent for the KUL Names and for the Society of Lloyd's as sole members agent trustee. In December 1993 David Wedderburn, group finance director and compliance officer, was requested to transfer the relevant funds in the said account to Lloyd's. Instead, the account was closed and the funds were transferred to the account of KGL on 9th December.

Mr Bradley has admitted that by his actions he has engaged in discreditable conduct. Pursuant to the support arrangements referred to above, during January and February 1992, Mr Bradley was party to the setting up of a banking arrangement in respect of the said support funds which failed to secure those funds under an appropriate trust arrangement.

At all material times, Mr Bradley was aware, knew and intended that the support funds would be included in the PAL annual asset return made on the 28th February 1992 for the purposes of the Lloyd's solvency test for the year ending 31st December 1991 pursuant to the Solvency and Reporting Byelaws, and represented therein as part of the individual Name's personal reserve fund for solvency.

The said representation, in view of the banking arrangements, which were not initiated until 3rd January 1992 and whereby the said funds remained under the sole control of KGL, constituted a misrepresentation to the Council of Lloyd's in that the support funds for the

relevant Names were not, at any material time, part of any trust fund of that Name which were under the control of any trustee appointed by PAL or KUL.

During 1992 and 1993, the support funding arrangements continued in force as before with the knowledge, and approval of Mr Bradley.

On 4th March 1993, the KUL annual return of member's assets for solvency purposes for the year ending 31st December 1992 was made and included, as certain Names personal reserve fund assets for solvency, amounts representing the support funds. The return contained the like misrepresentation as that set out above.

Mr Bradley was aware, knew and intended that the support funds would and should be represented as part of the relevant Name's personal reserve fund assets in that return.

At all material times referred to above, Mr Bradley failed to take sufficient steps to ensure that the support funds were placed in trust so as to conform to constitute Name's Personal Reserve Fund assets for solvency and further so as to conform to the relevant Byelaw requirements as to Names assets for solvency purposes and to safeguard the availability of such funds for the stated purposes.

The following penalties have therefore been imposed upon Mr Bradley:

- (i) that he pay a fine of £10,000; and
- (ii) that he be censured in accordance with the terms of this notice and
- (iii) that he pay a contribution towards the costs of the Council of Lloyd's in the sum of £3,000.

In assessing the penalties and costs in this matter account has been taken of the following facts:

- (1) Mr Bradley has admitted the charge as set out above and has at all times co-operated fully with Lloyd's in the conduct of their investigation. He has admitted the misconduct as identified above and is prepared to face the appropriate penalty for the purpose of settling the proceedings against him and avoiding the cost and expense that would be incurred by Lloyd's in furthering the proceedings.
- (2) It was always Mr Bradley's intention to assist various names through solvency at a particularly difficult time for them.
- (3) There was never any intention on the part of Mr Bradley to cause any party to suffer loss, nor has any loss occurred as a result of the events set out above. Moreover, Mr Bradley never had any intention to make misrepresentations to, or mislead in any way, Lloyd's, the supported Names or any other party; nor did Mr Bradley act dishonestly. Mr Bradley was not responsible for actually completing the solvency returns.
- (4) Mr Bradley was not notified by the Directors of PAL/KUL or by any other party including the auditors that the monies held in the NatWest account were not held in an appropriate trust in accordance with Lloyd's Byelaws.
- (5) Mr Bradley's background was in underwriting. Consequently, he did not have a detailed knowledge of the Solvency and Reporting Byelaw; ensuring that the funding arrangements complied with Lloyd's requirements was also the responsibility of others within the Knightstone Group.
- (6) Mr Bradley retired from the market in 1993 and has never had any intention to return. Mr Bradley has been able, therefore, to provide an undertaking not to return to the market in any capacity other than as a Name.

LLOYD'S DISCIPLINARY BOARD

NOTICE OF CENSURE

TREVOR IAN MARKS

Mr Marks has admitted one charge of misconduct namely, discreditable conduct contrary to the Misconduct, Penalties and Sanctions Byelaw (No.5 of 1983).

Trevor Michael Bradley ("Mr Bradley") was the Managing Director of the Knightstone Group ("KGL). He held other directorships, including a non-executive directorship in Knightstone Underwriting Limited ("KUL"), a subsidiary of KGL. Sometime during 1992, KUL took over responsibility for the Names of KMR Services Limited (formerly known as HG Poland (Agencies) Limited)("PAL"). Mr Bradley was not a director of KMR Services Limited.

During the latter part of 1991 Mr Bradley as Managing Director of KGL, sanctioned an arrangement whereby certain Names/Members who were experiencing difficulties over solvency would be supported with KGL funds. At the outset in 1991 this scheme was informal and ad hoc.

Trevor Ian Marks ("Mr Marks") was a director of PAL and Managing Director of KUL and responsible for Names solvency matters. On 23rd June 1992, Mr Marks was appointed a trustee for KUL's premium trust fund including Names' personal reserve funds.

At the end of 1991 a decision was taken to place the funding scheme on a more formal basis and Mr Bradley agreed with the National Westminster Bank ("NatWest") that an account should be opened, and KGL funds were deposited into that account. At no stage were the monies in the account held in an appropriate formal trust for Names. No trust documentation or mandates were ever executed.

At the end of February 1992, Mr Bradley wrote to the bank indicating that, subject to auditor's approval, that the funds were to be held as a 'pooled' account, rather than setting up a separate account for each Name with the relevant amount in it.

Thereafter the said account retained that status until December 1993 when it was closed and the balance transferred to KGL's account. At no time were the funds formally placed in trust under the control of PAL or KUL trustees.

On 28th February 1992 PAL submitted to Lloyd's the annual asset return for the year ending 31st December 1991. This was signed by Mr Marks and included, amongst the selected Names Personal Reserve Fund assets for solvency, amounts representing the support funds held in the said account.

The support scheme continued throughout 1992 and 1993 and on the 4th March 1993 an annual asset return was made by KUL, which again included support scheme funds represented as Name's Personal Reserve Fund assets for solvency. In August 1993, Mr Marks left Knightstone.

In November 1993 Lloyd's Members Agency Services Limited was appointed as substitute members agent for the KUL Names and for the Society of Lloyd's as sole members agent trustee. In December 1993 David Wedderburn, group finance director and compliance officer, was requested to transfer the relevant funds in the said account to Lloyd's. Instead, the account was closed and the funds were transferred to the account of KGL on 9th December.

Mr Marks has admitted that by his actions he has engaged in discreditable conduct.

During 1991 Mr Marks as a director and Managing Director respectively of PAL and KUL had responsibility for Name's underwriting affairs which included the solvency position of each Name. From 23rd June 1992, he was appointed a trustee in respect of KUL's Names' personal reserve funds. From January 1992 onwards, Mr Marks was aware that the relevant support funds were held under a banking arrangement, set up by Mr Bradley, at the NatWest.

Mr Marks knew and intended:

- (a) that the support funds would be included in the annual returns, made under the Solvency and Reporting Byelaws, as Name's Personal Reserve Funds for solvency, and
- (b) that the returns made by PAL/KUL for the years ending 31st December 1991 and 1992, the first of which was signed by him, did include such funds and represented them to be personal reserve funds.

These representations made in the returns constitute misrepresentations in that the support funds for the relevant names were not, at any material time, part of any trust fund of that Name which were held under the control of any trustee and Mr Marks should have known that that was the case.

Mr Marks failed to take any steps, either as Director or latterly as trustee, to ensure that the funds were placed in trust so as to conform to the relevant Byelaw requirements as to Name's assets for solvency purposes and to safeguard the availability of such funds for the stated purposes.

The following penalties have therefore been imposed upon Mr Marks:

- (i) that he be censured in accordance with the terms of this notice and
- (iii) that he pay a contribution towards the costs of the Council of Lloyd's in the sum of £3,000.

In assessing the penalties and costs in this matter account has been taken of the following facts:

- (1) Mr Marks has admitted the charge as set out above and has at all times co-operated fully with Lloyd's in the conduct of their investigation. He has admitted the misconduct as identified above and is prepared to face the appropriate punishment for

the purpose of settling the proceedings against him and avoiding the cost and expense that would be incurred by Lloyd's in furthering the proceedings.

- (2) It was always Mr Mark's intention to assist various names through solvency at a particularly difficult time for them.
- (3) There was never any intention on the part of Mr Marks to cause any party to suffer loss, nor has any loss occurred as a result of the events set out above. Moreover, Mr Marks never had any intention to make misrepresentations to, or mislead in any way, Lloyd's, the supported Names or any other party; nor did Mr Marks act dishonestly.
- (4) Mr Marks was not notified by the Directors of PAL/KUL or by any other party including the auditors that the monies held in the NatWest account were not held in an appropriate trust in accordance with Lloyd's Byelaws.
- (5) Ensuring that the funding arrangements complied with Lloyd's requirements was also the responsibility of others within the Knightstone Group.
- (6) Mr Marks has suffered serious financial difficulties and was assisted in meeting the 'R & R' settlement by way of tranche 4 in 1996. He no longer works in the market and is currently employed as a consultant with a telecommunications company. This offence would ordinarily attract a fine in the region of £10,000. However, the Board have had regard to Mr Marks' means and accordingly, for the purposes of settlement only, approved the above penalties.
- (7) Mr Marks has voluntarily provided an undertaking not to return to the market in any capacity.

LLOYD'S DISCIPLINARY BOARD

NOTICE OF CENSURE

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During the latter part of 1991 Mr Bradley as Managing Director of KGL, sanctioned an arrangement whereby certain Names/Members who were experiencing difficulties over solvency would be supported with KGL funds. At the outset in 1991 this scheme was informal and ad hoc.

Trevor Ian Marks (“Mr Marks”) was a director of PAL and Managing Director of KUL and responsible for Names solvency matters. On 23rd June 1992, Mr Marks was appointed a trustee for KUL’s premium trust fund including Names’ personal reserve funds.

At the end of 1991 a decision was taken to place the funding scheme on a more formal basis and Mr Bradley agreed with the National Westminster Bank (“NatWest”) that an account should be opened, and KGL funds were deposited into that account. At no stage were the monies in the account held in an appropriate formal trust for Names. No trust documentation or mandates were ever executed.

At the end of February 1992, Mr Bradley wrote to the bank indicating that, subject to auditor's approval, that the funds were to be held as a 'pooled' account, rather than setting up a separate account for each Name with the relevant amount in it.

Thereafter the said account retained that status until December 1993 when it was closed and the balance transferred to KGL's account. At no time were the funds formally placed in trust under the control of PAL or KUL trustees.

On 28th February 1992 PAL submitted to Lloyd's the annual asset return for the year ending 31st December 1991. This was signed by Mr Marks and included, amongst the selected Names Personal Reserve Fund assets for solvency, amounts representing the support funds held in the said account.

The support scheme continued throughout 1992 and 1993 and on the 4th March 1993 an annual asset return was made by KUL, which again included support scheme funds represented as Name's Personal Reserve Fund assets for solvency. In August 1993, Mr Marks left Knightstone.

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Mr Marks knew and intended:

- (a) that the support funds would be included in the annual returns, made under the Solvency and Reporting Byelaws, as Name's Personal Reserve Funds for solvency, and
- (b) that the returns made by PAL/KUL for the years ending 31st December 1991 and 1992, the first of which was signed by him, did include such funds and represented them to be personal reserve funds.

These representations made in the returns constitute misrepresentations in that the support funds for the relevant names were not, at any material time, part of any trust fund of that Name which were held under the control of any trustee and Mr Marks should have known that that was the case.

Mr Marks failed to take any steps, either as Director or latterly as trustee, to ensure that the funds were placed in trust so as to conform to the relevant Byelaw requirements as to Name's assets for solvency purposes and to safeguard the availability of such funds for the stated purposes.

The following penalties have therefore been imposed upon Mr Marks:

- (i) that he be censured in accordance with the terms of this notice and
- (iii) that he pay a contribution towards the costs of the Council of Lloyd's in the sum of £3,000.

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- (1) Mr Marks has admitted the charge as set out above and has at all times co-operated fully with Lloyd's in the conduct of their investigation. He has admitted the misconduct as identified above and is prepared to face the appropriate punishment for

the purpose of settling the proceedings against him and avoiding the cost and expense that would be incurred by Lloyd's in furthering the proceedings.

- (2) It was always Mr Mark's intention to assist various names through solvency at a particularly difficult time for them.
- (3) There was never any intention on the part of Mr Marks to cause any party to suffer loss, nor has any loss occurred as a result of the events set out above. Moreover, Mr Marks never had any intention to make misrepresentations to, or mislead in any way, Lloyd's, the supported Names or any other party; nor did Mr Marks act dishonestly.
- (4) Mr Marks was not notified by the Directors of PAL/KUL or by any other party including the auditors that the monies held in the NatWest account were not held in an appropriate trust in accordance with Lloyd's Byelaws.
- (5) Ensuring that the funding arrangements complied with Lloyd's requirements was also the responsibility of others within the Knightstone Group.
- (6) Mr Marks has suffered serious financial difficulties and was assisted in meeting the 'R & R' settlement by way of tranche 4 in 1996. He no longer works in the market and is currently employed as a consultant with a telecommunications company. This offence would ordinarily attract a fine in the region of £10,000. However, the Board have had regard to Mr Marks' means and accordingly, for the purposes of settlement only, approved the above penalties.
- (7) Mr Marks has voluntarily provided an undertaking not to return to the market in any capacity.

LLOYD'S DISCIPLINARY BOARD