Market Bulletin

LLOYD'S

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FROM:	Ian K. Wootten
LOCATION:	STFO, CH/L4
EXTENSION:	2098
DATE:	20 November 2003
REFERENCE:	Y3188
SUBJECT:	DOLLAR CENTRAL ACCOUNTING SETTLEMENT
SUBJECT AREA(S):	
ATTACHMENTS:	
ACTION POINTS:	**Note contents**
DEADLINE:	

You will be aware that, in accordance with Market Bulletin Y3042 dated 24 April 2003, Lloyd's has now ceased using the Mandated Currency Debit (MCD) method of collecting U S Dollar Central Accounting Settlement monies from brokers as we did for Canadian Dollar Settlement last year. The Multi Bank Transaction Initiation (MBTI) process is now being utilised instead. This is the same process that Lloyd's uses to collect Settlement monies from brokers and syndicates in all currencies other than sterling.

We would like to reiterate the primary reasons for this change:

1) Due to the significant manual effort required from banks to operate the MCD system, and with Lloyd's being virtually the only remaining user of the service, costs were expected to rise significantly in the near future.
2) The MCD system is operated by The Association for Payment Clearing Services (APACS), and Lloyd's had received information to the effect that our access to the MCD system was expected to be terminated in the near future. Brokers will remember the chaos caused when the Canadian MCD system was withdrawn by APACS in 2002 with very little advance notice, and no opportunity to delay the withdrawal of service while alternative means of achieving Settlement were put in place.
3) It was obviously Lloyd's desire to avoid similar problems with U S Dollar Settlement, and to ensure uninterrupted continuation of the Central Accounting Settlement system.

It has come to our attention, however, that where Central Accounting is making outgoing payments, certain recipients are not receiving the full Settlement amount as advised by the Central Accounting system. We have investigated this, and it appears that SWIFT (Society for Worldwide Interbank Funds Transfer) implemented certain changes earlier this year which resulted in all banks applying processing charges more rigorously than before.

STFO can confirm that we have negotiated appropriate tariffs and charging mechanisms with our own banks to cover the cost of payments to and from our clearing accounts, and that no deductions to outgoing or incoming funds are made by our banks.

It must be understood that we give our customers the flexibility to use the bank of their choice, and these banks use their own correspondents to clear the various currencies. This means that we have no control over the fees that correspondent and recipient banks charge their customers.

In addition, we would like to point out that any Canadian Dollar cheques, the proceeds of which managing agents wish us to have credited to their syndicate LCTF accounts, now incur a charge from the remitting bank for clearing. As there are no set fees across the various banks for processing such items, we cannot predict exactly how much will be deducted. Therefore, we recommend that where items are settled outside Central Accounting, electronic funds transfer is used whenever possible.

If you have any queries regarding the content of this bulletin, please contact either myself on Lloyd’s extension 2098, David Whitby on Lloyd’s extension 2206, or Donna Caddy on Lloyd’s extension 2693.

This bulletin has been sent to all Lloyd’s managing agents, brokers and registered investment advisers.