



Hampden
Agencies Limited

Arrangements for Holding Members' Cash Deposits with Butterfield Bank

This Bulletin is to bring Members up to date with the arrangements which are in place for the various cash deposits held on their behalf with Butterfield Bank through Hampden.

Hampden uses Butterfield Bank (UK) Limited to operate several trust accounts on behalf of its Members. These accounts have always been an important part of the service we offer and Butterfield (formerly known as Leopold Joseph) continues to provide a facility which has been in place for Lloyd's Members for more than two decades. Butterfield Bank (UK) Limited is a wholly owned subsidiary of The Bank of N.T. Butterfield & Son Limited which was established in Bermuda in 1858. Butterfield Bank (UK) Limited is a UK Bank, regulated by the FSA and is a member of the Financial Services Compensation Scheme. It is also responsible for compliance with FSA client money rules in respect of the accounts. Further information can be found on their website www.butterfieldprivatebank.co.uk.

Members' Accounts

Butterfield Bank (UK) Limited administers three accounts on behalf of Hampden's Members. These are as follows:-

General Trust Account

This is designed to enable any non-Premiums Trust Fund ("PTF") monies emanating from Lloyd's to be deposited, in either sterling or US dollars, into an account not forming part of a Member's Funds at Lloyd's. Monies held can be used for Lloyd's expenses and can be released back to the Member at any time.

Auction Account

These are settlement accounts through which all auction monies are processed. Funds are held under the terms of the PTF and are therefore subject to Lloyd's Release Test rules. Normally, these accounts will only be used during the auction season from August until December when settlement of any auction balances after Auction 4 is due. After that time, the account will be cleared down. Given that money will normally be held in this account for only a very limited period and the administration involved during that time, the interest paid (less Butterfield's charges) will be lower than for the other accounts (see section below).

Surplus PTF Monies

These relate to the excess amount collected from syndicate PTFs in respect of Hampden fees. Where available, we collect 1% of Premium Income Limit ("PIL") from each syndicate during each underwriting year of account but the actual fee payable by each Member when

the account closes subsequently depends on the level of underwriting. Members with higher PILs will pay less than 1% and the surplus fee collected on their behalf is held for their benefit in this account. Any balance held from time to time can be used to meet Lloyd's related expenses but cannot be released until the relevant year of account closes. The account is also used to hold any on account profit commission, where applicable, which has been retained from the early release of profits (e.g. on 2006 and 2007) pending the closure of the relevant year and the final calculation of the amount due.

Arrangements for holding the money

The day to day bank accounts are operated by Butterfield Bank (UK) Limited, but the monies are not held on their balance sheet. Whilst we are not aware of any concerns regarding the Bank's security, we decided last year that it would be prudent to spread the investment risk over a number of banks.

All trust bank accounts operated by Butterfield Bank (UK) Limited on behalf of Members are subject to strict investment parameters which form part of a service agreement between the Bank and Hampden. These specify that, amongst other things, no more than 25% of the fund can be with one banking group. Currently, the fund is split between The Royal Bank of Scotland, Lloyds Banking Group, Barclays and Abbey National (part of the Banco Santander Group). HSBC provides the general current account facilities through which items are cleared and payments are received and made. Butterfield Bank (UK) Limited monitors the relative financial strength of each counterparty bank on a daily basis providing reports and recommendations back to the Hampden board who decide whether or not to change counterparties.

Statutory Protection

Members' exposure to each bank is covered under the UK Deposit Protection Scheme to the extent of £50,000 per bank. This amount applies per depositor per authorised institution, which means that, in the event of a claim, it would have to be aggregated with any other monies held by the Member elsewhere with the same bank (or with another bank under the same authorisation). Full details of the Financial Services Compensation Scheme can be found on their website at www.fscs.org.uk/consumer/how_to_claim/deposits/.

Owners of Namecos should be aware that the statutory protection is subject to certain tests, for example turnover and balance sheet thresholds below a certain level (currently £6.5 million and £3.2 million respectively)

Interest Payments

Funds are held on a variety of term deposits but, where available for release, would normally be accessible on demand by individual Members. Interest is calculated on a daily basis and each Member is allocated their pro-rata share of the income, less Butterfield's agreed charges. Interest was previously paid to UK residents net of UK Basic Rate Tax but, from 1st April 2008, is a quarterly on a gross basis to each Member's account.

Interest rates will change from day to day and we will show the last week's rates on our website www.hampden.co.uk. At the time of writing, the rates (less Butterfield's charges) are as follows:

Surplus PTF (Sterling only)	0.90% - 0.93%
General Trust Account (Sterling)	0.56%
General Trust Account (USD)	Nil
Auction (Sterling only)	Nil

For reference purposes:

UK Base Rate	1.00%
US Fed Target Rate	0.00% - 0.25%

Butterfield's Charges

Butterfield Bank (UK) Limited receive commission from the interest received equivalent to 0.50% per annum on all General Trust Account balances, 1% on the Auction Account balances and 0.125% on the Surplus PTF Account balances. These charges are deducted from the interest due prior to crediting individual Members with the balance of the interest.

Statements of Account

Statements of Account will be issued quarterly for the General Trust Account and annually for the Auction and Surplus PTF Accounts. In future, these will be sent direct to Members by Butterfield although Members should continue to liaise with their usual contact at Hampden regarding the operation of these accounts. Interest statements will be provided annually and sent direct to Members' accountants by Hampden.

Authority to operate accounts

The General Trust and Surplus PTF accounts are operated on behalf of Members under a service agreement between Hampden and Butterfield. A copy of this is available on request or via the client area of the Hampden website. Under the terms of this agreement, Members with a General Trust or Surplus PTF Account must have signed an appropriate Letter of Consent to open the account. Members should note that any withdrawals require their authority although this will be deemed to apply where Hampden has given appropriate notice to settle Lloyd's related expenses from the accounts. Hampden will also need to satisfy itself that the appropriate Money Laundering Regulations have been fulfilled before any payment can be made to a third party. Withdrawals from the Auction Account are subject to the Lloyd's Release Test but can be made to meet Lloyd's expenses.

New Letter of Consent

The move to a panel of banks, as referred to above, requires us to send you a new Letter of Consent. Please would you sign and return this as soon as possible.

NOTICE: Underwriting at Lloyd's involves a significant degree of risk and those investing in the market will be exposed to the risk of underwriting losses. They will remain ultimately liable for losses, even after death, until the liabilities of all syndicates participated upon have been reinsured to close, subject to there being no reinsurance failure. Underwriting Membership may not be suitable for all, and if there is any doubt, independent advice should be sought. Please note that services are not Offered publicly to United States persons or in the United States, nor are they Offered publicly in any other jurisdiction where such Offers may be unlawful. These meeting notes are intended for general information purposes only and should not be construed as investment advice. Unauthorised use, disclosure, or copying is strictly prohibited and may be unlawful. While all reasonable care has been taken to ensure that the information contained in these meeting notes is accurate at the time of publication, Hampden Agencies Limited does not make any representations as to the accuracy or completeness of such information. Hampden Agencies is authorised and regulated by the Financial Services Authority. These notes have been issued by Hampden Agencies Limited, which is a registered Lloyd's Members' Agent/ Adviser, of 85 Gracechurch Street, London, EC3V 0AA. Telephone: 020 7863 6500. Facsimile: 020 7863 6555. Calls to and from Hampden Agencies may be recorded. Registered No: 2970319 in England. Registered Office: 85 Gracechurch Street, London EC3V 0AA.
