



'Ensuring Investor Protection'

THE SECURITIES AND EXCHANGE COMMISSION

PRESS RELEASE

Background

The Securities and Exchange Commission (SEC), acting in accordance with Section 122 (2) (b) of the Securities Industry Act 2016, (Act 929) (SIA) revoked the licenses of fifty-three (53) Fund Management Companies (FMCs) on 8th November 2019, due to their inability to return clients' funds totaling GHC 8 billion, and significant breaches of applicable rules that created risks to financial stability. The enforcement action taken by the SEC forms part of a general exercise to clean-up the financial sector.

Following the revocation of the licences, the SEC took the following actions to protect investors:

1. Notified the Registrar of Companies/Registrar General to petition the Court for orders to commence the official liquidation of the fifty-three (53) FMCs under the relevant law;
2. Appointed an agent in line with the relevant provisions of the SIA, to take copies of records and lock up premises to secure assets of the affected companies.
3. Mandated the agent to receive claims from the clients of the affected companies and acknowledge receipt of same.
4. Mandated the agent to conduct validation of claims received from affected clients.
5. Engaged the Government through the Ministry of Finance on a bailout package for affected clients of the FMCs.

Eight (8) of the firms whose licences were revoked appealed against the revocation decision to the Administrative Hearings Committee (AHC) but only three (3) were successful. The engagement with Government was against the background that the liquidation process (securing the Court orders and realising assets) has the tendency to be long and protracted; meanwhile, providing early relief to affected investors was also important. It was agreed that rolling out of the bailout package promised by Government would proceed after claims are validated and liquidation orders secured. We provide an update on these activities below.

Validation

Out of the fifty (50) companies whose licences remain revoked, three (3) did not have any claims filed against them, leaving forty-seven (47) companies against whom claims were filed by affected clients. As at 26th August 2020, a total of 98,820 claims valued at GHS10.83 billion have been received. The Commission has full access to the records of forty (40) of these companies, partial access to one (1) company and no access to the remaining six (6) companies.

Validation of the claims filed by the clients of the forty (40) companies where we have full access to their records has been completed.

The Commission had partial access to records from Blackshield Capital Management Limited (formerly Gold Coast Fund Management Limited) as Blackshield Capital Management Limited provided excel data representing about 3% of claims filed by their clients. Blackshield Capital Management Limited initially failed to assist in locating the server for validation of the remaining 97% of claims till the intervention of law enforcement agencies; validation is ongoing. The claims filed against Blackshield Capital Management Limited totaled 82,204 and valued at GHS4.65 billion.

The six (6) companies that we do not have access to their records are Firstbanc Financial Services, Kripa Capital, EM Capital, Omega Capital, Nickel Keynesbury and Heritage Securities (Future PIP Management Ltd.). Validation of claims on Firstbanc Financial Services Limited is yet to commence because of their initial failure to cooperate with SEC, and the filing of an application for an injunction pending appeal at the High Court. Claims filed against Firstbanc Financial Services Limited was 423 valued at GHS800 million. We are in the process of resolving the issues to get full access to the records of the remaining 5 firms. The claims filed against these 5 firms is 489 valued at GHS87 million.

Liquidation Orders

The SEC notified the Registrar General after the revocation of the licences, who proceeded to file petitions in Court, seeking orders to liquidate each of the fifty (50) FMCs. The Court has since granted twenty-two (22) of these petitions and appointed the Registrar General as the Official Liquidator for these companies. The Registrar General has recently published notice of her appointment as Official Liquidator of the twenty-two (22) FMCs listed below and requested creditors to submit claims. The Official Liquidator will follow the liquidation process established by the Corporate Insolvency and Restructuring Act 2020 (Act 1015) including calling creditor meetings and realising value from assets that would be identified. The twenty-two (22) FMCs under Official Liquidation are the following:

1. Alpha Cap Securities Limited
2. Alltime Capital Limited
3. Axe Capital Limited
4. Brooks Asset Management Limited

5. CDH Asset Management Limited (Intermarket)
6. Fromfrom Capital Limited
7. Galaxy Capital Limited
8. Lifeline Asset Management Limited (Kamaag)
9. Mak Asset Management Limited
10. Man Capital Limited
11. Mec-Ellis Investment (Ghana) Limited
12. Mutual Integrity Limited
13. Nesst Capital Limited
14. Nickel Keynesbury Limited
15. Nordea Capital Limited
16. QFS Securities Limited
17. Sirius Capital Limited
18. Standard Securities Limited
19. Supreme Trust Capital Limited
20. Tikowrie Capital Limited
21. Ultimate Trust Limited
22. Weston Capital Management Limited

Petitions in Court for the official liquidation of the remaining FMCs whose licences were revoked are pending and yet to be decided on by the Court.

Government Bailout of Clients of FMCs

Prior to the Official Liquidator realising value from assets, the Government, mindful of the plight of Investors, has reiterated its commitment to a bailout package for clients of the FMCs in the form of a social intervention similar to what was done for depositors of the failed SDIs and MFIs. The first phase will cover clients of the twenty-two (22) companies currently under official liquidation per Court orders, based on their validated claims. The Official Liquidator will communicate details of the payment process to affected clients starting in September. The second phase would cover clients of the remaining companies after the liquidation orders are secured.

Ongoing Court cases against the Revocation of Licence

Four (4) of the fifty (50) FMCs whose licences were revoked have filed applications in Court to challenge the SEC's decision to revoke their licences. These cases are at various stages in Court, and have resulted in a situation where no other action can be taken by the SEC or the Registrar General to proceed with official liquidation and Government bailout of the clients of these four (4) FMCs until the Court decides on them. Specifically:

- Blackshield Capital Management Limited appealed to SEC's Administrative Hearings Committee (AHC) and was unsuccessful in its appeal. Subsequently, Blackshield Capital Management Limited has filed a case in court seeking a review of the AHC decision. Hearing of this case commenced on 28th July 2020 and would resume after the legal vacation.
- Firstbanc Financial Services Limited filed an application in Court for Judicial Review of the revocation of their licence and judgment was given in favour of the SEC. Firstbanc Financial Services Limited has commenced processes for an appeal in the Court of Appeal against the decision. On 10th August 2020, Firstbanc Financial Services Limited filed an application in Court for an injunction pending the determination of the appeal.
- Apex Capital Partners filed an application in Court for Judicial Review of the revocation of its licence and judgment was given in favour of the SEC. Apex Capital Partners appealed against the decision in the Court of Appeal on 8th July 2020.
- Ideal Capital Partners Limited, after withdrawing an initial court case, filed another case on 29th July 2020 against the SEC's revocation decision. Hearing of the application by the Court is scheduled to begin on 18th November, 2020.

For any further information/clarification, affected clients may send emails to revocations@sec.gov.gh or call our toll free line, **0800100065**.

By Order of the
SECURITIES AND EXCHANGE COMMISSION

28th August, 2020