



COMMUNIQUÉ LEADERGUARD SPOT FOREX

Leaderguard Spot Forex (LSF) was licensed as a Category 1 Global Business Company (GBC1) by the Financial Services Commission (FSC) to offer asset management services in the form of foreign exchange services to retail clients. On Friday 25 March 2005, FSC was made aware that the company had been rendered insolvent as a result of substantial trading losses affecting mainly its South African investors.

Consequently, LSF's licence was suspended with immediate effect and measures were taken to protect the remaining assets of the company in the interests of its investing clients and creditors, pending a full investigation into the circumstances of the loss. On 1 April 2005, LSF was placed under judicial administration and a Manager was appointed by the Supreme Court of Mauritius (Bankruptcy Division). The principals undertook not to leave Mauritius without the authorisation of the Court.

FSC's investigation in the matter was focused on three areas – (1) whether LSF had been conducting the business for which it had been licensed; (2) the company's adherence to the law, its licence conditions and the efficacy of its internal controls ; and (3) whether the principals in charge of the company's affairs continue to satisfy the "Fit and Proper" criteria^[1].

FSC's investigation included interviews with the Directors, management and officers of LSF, liaison with the Financial Services Board in South Africa (the Regulator of Leaderguard Securities Pty Ltd^[2]); LSF's lawyers; legal representative of LSF's clients and their Investment advisors, the Manager and the Police Force in Mauritius. As a result of its investigation, FSC decided to revoke LSF's licence with effect from 9 September 2005 for breach of the company's Licensing Conditions [No 8 and 13(a)] and for carrying out activities in a manner which is detrimental to the reputation of Mauritius. A notice has been posted in this respect on FSC's website. For the same reasons, FSC also revoked the respective licences of LSF's related companies in Mauritius.

LSF circulated a Compromise Proposal to its creditors in the abovementioned context but it was ultimately rejected by a majority of them. The FSC did not object to the Compromise Proposal circulated by LSF to its creditors but made it clear that its non-objection must not be interpreted as the expression of any opinion on the content of the Proposal or as to its suitability or otherwise for potential investors and creditors. FSC referred certain matters to the Police for further investigation. The Director of Public Prosecutions ("DPP") decided to initiate a criminal action against LSF and its officers. On 15 September 2005, the Court convicted LSF (represented by its principals) and its officers including the Risk Manager. In this respect the Court imposed fines amounting to Rs 2.1 million for failing to comply with the directives

of the Financial Services Commission and falsification of documents under the provisions of the Companies Act 2001.

Financial Services Commission

30 September 2005

[\[1\]](#) The “Fit and Proper” concept is described in the Commission’s “Guide to Fit and Proper”.

[\[2\]](#) LSF’s products were promoted by its sister company (Leaderguard Securities Pty Ltd – ‘LSP’) based in South Africa. LSP is authorised by the Financial Services Board (FSB in South Africa) to operate as an “Exempt Intermediary”.