

ORAL ANSWERS TO QUESTIONS

BELVEDÈRE MANAGEMENT LTD. – ALLEGED PONZI SCHEME

The Leader of the Opposition (Mr P. Bérenger) (*by Private Notice*) asked the Minister of Financial Services, Good Governance and Institutional Reforms whether, in regard to the allegations against the Mauritius-based Belvédère Management Ltd. of an international giant Ponzi scheme scam, he will –

(a) state the –

(i) sums allegedly involved, and

(ii) alleged links between Belvédère Management Ltd. and the London-based Capital World Markets, whereby thirteen staff members thereof were arrested by the City of London Police on 03 March 2015, indicating if anyone of Belvédère Management Ltd. has been arrested as at to date, and

(b) obtain from the Financial Services Commission, the actions taken in relation thereto as at to date, if any.

Mr Bhadain: Madam Speaker, I am informed that Belvedere Management Ltd, a company incorporated in Mauritius on 24 September 2008 obtained a licence on 03 November 2008 from the Financial Services Commission in respect of the following activities -

- (i) provision of formation, administration and management of global business companies;
- (ii) provision of corporate trusteeship services, and
- (iii) provision of investment fund administration services.

Since October 2012 the Financial Services Commission has conducted three on-site inspections on Belvedere Management Ltd in accordance with Section 43 of the Financial Services Act. These inspections were in respect of the management company business, fund administration business, and also to assess whether Belvedere is complying with the provisions of the relevant legislations, regulations and rules of the FSC. After each

inspection, the FSC has issued inspection reports to Belvedere making recommendations for remedial actions in respect of several deficiencies, namely, non-compliance with Section 24 of the Financial Services Act with regard to appointment of officers without the prior approval of FSC, the FSC AML/CFT (Anti-Money Laundering/Combating Financial Terrorism) Code, including incomplete Customer Due Diligence (CDD) documents on the beneficial owners of its client companies and also, Madam Speaker, failure to conduct verifications on the source of funds.

With regard to part (a) (i) of the question, I am informed by the FSC that the sums allegedly involved worldwide are around USD 16 billion involving several jurisdictions, including Guernsey, British Virgin Islands, Cayman Islands, Gibraltar, Switzerland, Seychelles, South Africa, Panama, England and Mauritius.

With regard to part (a) (ii) of the question, Madam Speaker, according to available information at the FSC as at date, there are no confirmed links between Belvedere Management Ltd and the London based Capital World Markets. According to press reports, CWM FX.com is operated by Leverage Financial Services Ltd, a Cyprus investment firm, licenced and regulated by the Cyprus Securities and Exchange Commission and its Chief Executive Officer is Mr Antony Constantinou. Mr Constantinou is among the thirteen persons who have been arrested by the City of London Police in UK.

The CWM is not licenced by the Financial Services Commission in Mauritius and the FSC has sought information from the UK Financial Conduct Authority on 20 March 2015 on Capital World Markets. The FSC issued a reminder to the Financial Conduct Authority in the UK on 30 March 2015 and a reply is still awaited.

I am further informed, Madam Speaker, that the Independent Commission against Corruption was also investigating into the matter. On 19 March 2015, the ICAC requested the Mauritius Police Force to lodge an arrest on departure against the directors of Belvedere Management Ltd, namely K.M, L.L.H.H and D.C.

Unfortunately, D.C., who is a non-resident director, left Mauritius in the early morning of 20 March 2015 by flight on MK 851 to Johannesburg prior to the Immigration Authorities in Mauritius being able to act.

I am further informed that the ICAC's investigation has progressed to the stage of further enquiry and K.M. and L.L.H.H. have since last week been convened for investigation in relation to this case, and their lawyers have confirmed that they will attend ICAC on Thursday 30 April 2015.

With regard to part (b) of the question, Madam Speaker, the Financial Services Commission has been working with various counterparts on the matter, including regulators from Guernsey, British Virgin Islands (BVI), Cayman Islands, Gibraltar, South Africa, England, Ireland, the Federal Territory of Labuan and Tanzania. Some 125 correspondences have been exchanged since June 2014 with regulators from these countries to ensure the veracity of documents and to construct the flow of funds given that the companies under the management of Belvédère have been advancing loans to entities in various jurisdictions. It is to be noted, Madam Speaker, that through the exchange of information with other jurisdictions such as Guernsey, it has been possible for the investigation to be initiated at that end.

The FSC conducted investigation on two investment funds under the administration of Belvédère Management Ltd., namely –

- Lancelot Global PCC (protected cell company), and
- Four Elements PCC.

The investigation has revealed that there is a flow of funds from a company based in Guernsey. Assistance was, therefore, sought from the Guernsey Financial Services Commission to probe into this flow of funds. The investigation conducted by the Guernsey FSC resulted into three entities, namely –

- ‘The Global Mutual Fund PCC Limited’;
- ‘The Universal Mutual Fund ICC Limited’ (including seven incorporated cells), and
- ‘The Worldwide Mutual Fund PCC Limited’, being placed under administration by the Royal Court of Guernsey.

This has been possible due to the work which has been carried out by the Financial Services Commission in Mauritius.

The FSC has been informed that the application regarding Lancelot Management Limited and Trinity Global Fund will be decided by the court in Guernsey at a later date.

Moreover, as a result of the intelligence shared, the Guernsey FSC appointed an inspector to examine the practices of the licensees linked to Belvédère Management Ltd. The Guernsey FSC imposed a prohibition on Global Mutual Fund and its cells to cease all trading as from 30 January 2015.

The FSC has also sought the assistance of the Financial Services Board of South Africa in view of the fact that many related party loans with entities based in South Africa

have been noted in this case. The Financial Services Board of South Africa has initiated enquiries into connected transactions with Mr Jacobus Kellerman, the business partner of Mr David Cosgrove, one of the beneficial owners of Belvédère Management Ltd.

On 20 March 2015, the Financial Services Commission in Mauritius revoked the C1 GBL Licences of Lancelot Global PCC and Four Elements PCC in accordance with section 74 (5) of the Financial Services Act 2007, and its authorisation to act as a Collective Investment Scheme (CIS) has also been withdrawn pursuant to Regulation 13 of the Securities (Collective Investment Schemes and Closed End Funds) Regulations 2008. Joint administrators have been appointed by the FSC to manage the business activities of Lancelot Global PCC and Four Elements PCC. Accordingly, Madam Speaker, the report of the joint administrators will be submitted to the Financial Services Commission shortly.

Furthermore, on 30 March 2015, the CIS Manager Licence of RDL Management Ltd., investment manager of Lancelot Global PCC and Four Elements PCC amongst others, was also suspended by the Financial Services Commission.

Finally, Madam Speaker, I wish to inform the House that the FSC in Mauritius has been positively cited in press reports internationally ‘to be an inflexible and impressionable regulator in Mauritius’.

Mr Bérenger: Then, why should we get rid of that lady? The last comment is very good! Madam Speaker, can I ask the hon. Minister whether I heard correctly that, in fact, the sum allegedly involved is 15 billion dollars ...

Mr Bhadain: It is 16 billion dollars worldwide.

Mr Bérenger: Has the FSC provided information on how many hedge funds, in fact, supposedly Belvédère Management Ltd. was managing?

Mr Bhadain: Yes, the FSC has been conducting on-site inspections, as I have mentioned, Madam Speaker. Of course, there are certain deficiencies which have been noted in the operations of Belvédère Management Ltd. in Mauritius, and remedial actions have been prescribed by the FSC. Belvédère Management Ltd., has, I understand today, not fulfilled all those remedial actions and the FSC is taking action on that accordingly.

Mr Bérenger: Can I ask the hon. Minister whether he is aware that a specialist publication called ‘OffshoreAlert’, which is a specialist information regular sheet, international sheet on financial crime, has quoted this Belvédère issue as, I quote –

“One of the biggest offshore criminal financial enterprises in history”?

Mr Bhadain: Yes, Madam Speaker, I am fully aware of that. Actually, I subscribe to ‘OffshoreAlert’, and so does the hon. Minister of Finance I understand. I can reassure the hon. Leader of the Opposition that when we became aware of the article which has been published in ‘OffshoreAlert’, we straightaway, on the same day, had a meeting with the FSC and other authorities, and all the actions which had to take place have taken place in March 2015 following the meeting which was initiated by my Ministry - to answer the question on the lady, before.

Mr Bérenger: Madam Speaker, on the issue of what the Financial Services Commission has been doing to override this situation, on 18 March 2015, the FSC issued a communiqué where it said, I quote –

“An inspection was conducted in 2015 and the FSC Mauritius shall issue a notice in due course.”

Can I know whether any such notice has been issued?

Mr Bhadain: Yes, the communiqué which was issued on 18 March 2015, Madam Speaker, was following the meeting that I have just referred to at my Ministry. No, I am not aware of any notice which has been issued in relation to that particular communiqué yet.

Mr Bérenger: Can I know whether local firms have been enquiring into this Belvédère issue, in particular PricewaterhouseCoopers and Grant Thornton?

Mr Bhadain: With regard to the joint administrators, Madam Speaker, I am aware that Mr Rajeev Basgeet and Mr Mushtaq Oosman from PricewaterhouseCoopers have been appointed joint administrators, as I have mentioned before. With regard to Grant Thornton, I am not aware of any involvement of Grant Thornton.

Mr Bérenger: On the last part of my question or rather the possible links between Belvédère Management Ltd. and the London-based Capital World Markets, I heard the hon. Minister say that no links have been established - I take it by the Financial Services Commission - to date. Can I ask the hon. Minister whether he is aware of that article of 18 April 2015 in ‘The Economist’, which is not just any publication, where it is said –

“CWM (...)”

That is, the London-based company.

“(…) strongly denies the police’s allegation that it is connected to fraud. Yet some claim the raid is tied to events at Belvedere because the two groups are linked. On a now-deleted part of its website, CWM stated it is part of the same group as Belvedere.”

Has the FSC looked into that following ‘The Economist’ article?

Mr Bhadain: Madam Speaker, just to go back on the earlier supplementary question, I have received a note saying that Grant Thornton was not appointed in Mauritius, but Grant Thornton was apparently appointed in the UK. So, probably that is why the hon. Leader of the Opposition is referring to Grant Thornton.

With regard to CWM, as I have stated earlier, there were no confirmed links which have been established by the Financial Services Commission in Mauritius, but I am perfectly aware of “The Economist” magazine publication and it is true that in that particular article, the reporter actually states that there has been some kind of deletion of what was on the website of CWM, where mention was made that it had involvement of so and was part of Belvédère. Now, we don’t know whether we are talking about Belvédère in Mauritius or in any other jurisdiction, but, as I have stated, the FSC has actually got in contact with the Financial Conduct Authority in the UK and there is information which is still awaited following a reminder which was sent by the FSC in Mauritius to the Financial Conduct Authority in the UK on 30 March 2015.

Mr Bérenger: We have been informed - if I heard the hon. Minister rightly - that the three key people in this Belvédère thing, are two foreigners who, unfortunately, have got out of the country before any action was taken at Passport and Immigration, but the third one, I am given to understand, is a Mauritian. That is why I asked whether there has been any arrest, including that Mauritian and whether Police or the FSC have questioned that Mauritian gentleman.

Mr Bhadain: There are actually two Mauritians and one foreigner, I understand. In fact, as I have stated before, the ICAC had already taken the initiative of notifying the Commissioner of Police that these people should not leave the country without ICAC being notified and they had to be arrested on departure. ICAC should be notified.

For the two Mauritians, it is still the case; for the one foreigner, DC, I believe that he left Mauritius the next morning because the time it took for the ICAC to notify the Police and the Police to notify the Immigration Authorities, the gentleman had already boarded the MK 851 and left Mauritius.

Mr Bérenger: May I have a last question if others don't have a question. My last question is of a general nature. Being given that this article in "The Economist" - I put it to the Minister, but through him to Government - has done a lot of damage - but it is not the only article; in Bloomberg also, there have been other articles - linking all this together, specially in a very awkward and dangerous manner, linking this Belvédère alleged Ponzi scheme to the Bramer Bank/BAI, in that article itself, linking it to the Bramer Bank/BAI issue here and all this, the end result, it is presenting Mauritius as an international hub for Ponzi schemes. Can I know what concrete action is being taken by the FSC, by Government, including the possibility why was not a letter sent to "The Economist" from our High Commission in London or from here, to break this image being presented of our financial sector as an international hub for Ponzi schemes?

Mr Bhadain: Madam Speaker, only yesterday, I was in touch with the US Embassy and we have a meeting planned for Thursday this week to, in fact, address this issue because the way that "The Economist" magazine has portrayed things by linking the Belvédère case with the Bramer case, which has got no connections whatsoever, of course, does portray an image which is not desirable for the reputation of our country as an international financial centre of repute. Now, there are numerous initiatives which are being put in place. Of course, the FSPA which is being set up now, will take care of the promotional activities to boost up the image of Mauritius at international level and to show the good things that are being done. I remember the hon. Minister of Finance referred to in Parliament the other day his meeting with investors who basically saw, as a very positive step, that Mauritius is actually taking transparent measures to clean up the system.

Now, I can also confirm to the hon. Leader of the Opposition that I had a meeting with a large group of Swiss Bankers, Luxembourg Bankers and people from Monaco who want to set up a huge enterprise in Mauritius and they actually told us that there had a choice between three jurisdictions: Morocco, Dubai and Mauritius. I was pleased when I heard that they chose to come to Mauritius because they have seen that we don't sweep things under the carpet. We are moving in line with the best practices in terms of good governance and we are

being very transparent in terms of all these issues which have happened. Things like that happen in financial jurisdiction. It is how you deal with it which is important.

Mr Bérenger: A very last one. Being given the very rosy picture being painted by the hon. Minister, can I ask him whether it is not a fact that since this Bramer Bank/BAI mess has come into the news, that there has been a drastic slowdown in the number of new applications for businesses that want to register in our financial sector, that ask for registration from the FSC and is it not a fact, unfortunately, that more than Rs1 billion have been withdrawn by foreigners from our Stock Exchange since, as I have said, this Bramer Bank/BAI issue has cropped up?

Mr Bhadain: Well, Madam Speaker, the issue is being addressed by the FSC and also by the Ministry of Financial Services and other authorities as well. I believe that it will become very apparent very soon as to the measures that are being put in place to enhance the image of our sector.

Madam Speaker: Hon. Members, the Table has been advised that Parliamentary Question No. B/308 has been withdrawn. Parliamentary Question No. B/314 will be replied by the hon. Minister of Ocean Economy, Marine Resources, Fisheries, Shipping and Outer Islands. Parliamentary Question No. B/317 will be replied by the hon. Minister of Financial Services, Good Governance and Institutional Reforms. Parliamentary Question Nos. B/330 and B/331 will be replied by the Rt. hon. Prime Minister, time permitting.