

## **FSCA finalises its investigations into the Praesidium Group of entities**

The Financial Sector Conduct Authority (FSCA) has finalised its investigations into the Praesidium Group of entities. The investigations looked into the actions of Praesidium Advisory Services (Pty) Ltd (Praesidium Advisory), Praesidium Wealth (Pty) Ltd (Praesidium Wealth), Praesidium Sentinel (Pty) Ltd (Praesidium Sentinel) (collectively referred to as Praesidium Group of entities) (all in liquidation), and its key persons, for contravening various financial sector laws.

The Authority found that Praesidium Advisory did not have the correct financial services provider (FSP) license to advise members of the public to invest in forex instruments. It also did not have the correct license to receive client funds for the purposes of investment in forex instruments. The Praesidium Group of entities further should not have paid clients' funds it received to Octox (Pty) Ltd (Octox)/Imagina FX (Pty) Ltd (Imagina), because these entities were not authorised FSPs and therefore could not lawfully receive client funds and/or act as investment manager of clients' funds.

The FSCA also found that Mr Andrew Cunningham-Moorat (Cunningham-Moorat), Mr Brett Bukes ("Bukes"), and Mr Craig Massyn (Massyn), who were directors of the Praesidium Group of entities at the time, aided, abetted, induced, incited or procured the Praesidium Group of entities to contravene the relevant financial sector laws.

Once the client funds were paid over to Octox/Imagina, Cunningham-Moorat and Bukes lost all control and oversight over the clients' monies. Massyn controlled and had access to clients' funds in the Octox bank accounts and on the trading platform. Massyn conducted all the trading.

Based on the FSCA's forensic analysis, a small percentage (approximately 19.4%) of clients' funds received were actually traded on the trading platform. The balance of the

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capital was paid back to clients (including Imagina clients) as investment returns and/or capital withdrawals, paid to the Praesidium Group of entities for operational expenses and paid to the directors.

The trading percentage returns that were declared to clients every month were provided by Massyn to Cunningham-Moorat and/or Bukes and they, in turn, declared to clients. Praesidium Advisory's Statutory Manager found that the positive trading returns Massyn declared could not be remotely possible, in light of the fact that Massyn was making losses on the trading platform. Additionally, the balances reflected in the trading account statements produced by Massyn indicated that there was insufficient money on the trading accounts. It would therefore appear that Massyn was operating a scheme similar in nature to a Ponzi scheme.

Praesidium Advisory had two key individuals, Ms. Cindy Lee Schuster (Schuster) and Mr. Ryan van Niekerk (Van Niekerk), who were approved, per product category, to manage and oversee the business of Praesidium Advisory. Schuster testified under oath that she had resigned six weeks after being appointed. However, a forensic analysis of the evidence she submitted demonstrated that she had not resigned. She continued to act as key individual after the alleged resignation and Praesidium Advisory continued its unlawful business during her tenure. The FSCA is of the view that she did not have the operational ability to effectively oversee the business of the FSP. Van Niekerk signed a document that was presented to clients that contained misleading and incorrect information. This document created an impression that Praesidium Advisory was appropriately licensed to conduct its business.

Based on the findings of the investigations, the FSCA made a preliminary decision on the appropriate sanctions that would be applied against the investigated persons. The preliminary decision was communicated to the investigated persons and they were provided with an opportunity to make submissions on the facts detailed in the investigation report and the preliminary administrative sanctions.

The FSCA thereafter considered the submissions made by the investigated persons and came to a final decision, which is detailed below:

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1. Debar the following persons from the industry:
  - 1.1. Massyn, for a period of 20 years;
  - 1.2. Bukes, for a period of 10 years;
  - 1.3. Cunningham-Moorat, for a period of 10 years;
  - 1.4. Schuster, for a period of 5 years; and
  - 1.5. Van Niekerk, for a period of 5 years.

2. Impose the following administrative penalties:

- 2.1. R20 million on Massyn;
- 2.2. R6.5 million on Bukes;
- 2.3. R2.5 million on Cunningham-Moorat;
- 2.4. R300 000 on Schuster; and
- 2.5. R300 000 on Van Niekerk.

Since the Praesidium Group of entities has been liquidated, their respective FSP licenses have lapsed.

The FSCA will now formally bring this matter to the attention of the criminal authorities because it seems likely that several offences have been committed, including fraud and theft.

**ENDS**

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