

COMMONWEALTH OF THE BAHAMAS

SUPREME COURT

Division

2024

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IN THE MATTER of the International Business Companies Act.

AND

IN THE MATTER OF an Application under the Securities Industry Act, 2024

AND

IN THE MATTER OF LCG CAPITAL MARKETS LIMITED (A Registered Firm)

AFFIDAVIT OF CHRISTINA R. ROLLE

I, **Christina R. Rolle**, Executive Director of the Securities Commission of The Bahamas (hereinafter “**the Commission**”), New Providence, one of the Islands of the Commonwealth of The Bahamas, make oath and say as follows:

1. I make this Affidavit on behalf of the Petitioner herein in my capacity as the Executive Director of the Commission.
2. The facts and matters referred to herein are, unless otherwise stated, within my own knowledge or are obtained from documents in the possession of the Commission or its legal advisors, and are true to the best of my knowledge, information, and belief.

Regulatory and Supervisory Matters in Brief

3. LCG Capital Markets Limited (formerly London Capital Group Bahamas Limited) (hereinafter “**LCG**” or “**the Company**”), was incorporated in the Commonwealth of The Bahamas pursuant to the provisions of the International Business Companies Act on the 15 November 2017. The registered office of the Company is GTC Corporate Services Limited, located at Sassoon House, Shirley Street and Victoria Avenue, Nassau, Bahamas.
4. The Company was registered with the Securities Commission of The Bahamas (“**the Commission**”) as a Firm, Dealing in Securities as Agent or Principal and Arranging Deals

effective 19 June 2018, pursuant to the Securities Industry Act, 2011 which was repealed by the Securities Industry Act 2024 (“the Act”) and LCG’s registration was continued thereunder. **Now shown to me is a true copy of the certificate of registration marked and exhibited as “CRR 1”.**

5. The Company is also authorised as a Firm Carrying on Business in Contracts for Differences, effective 13 September 2021, pursuant to the Securities Industry (CFD) Rules, 2020 (the “CFD Rules, 2020”). **Now shown to me is a true copy of the authorization marked and exhibited as “CRR 2”.**
6. LCG is wholly owned by the Swiss-based bank FlowBank SA (“FlowBank” or “the Bank”), which has provided crucial services to LCG via outsourcing agreements, including Client Funds Reconciliation, KYC and AML Services, Information Technology Services, Customer Support and Finance & Accounting Services. **Now shown to me are true copies of the Intercompany Services and White-Label License Agreements between LCG and FlowBank marked and exhibited as “CRR 3a” and “CRR 3b”.**
7. Since October 2021, the Swiss financial regulator, Financial Market Supervisory Authority (“FINMA”) has taken enforcement actions against FlowBank for breaches related to capital requirements, organization, and risk management. Despite these actions however, FlowBank’s financial state continued to deteriorate so that from the end of 2023 up to April 2024, FINMA determined that there was no prospect of restructuring the Bank, necessitating their immediate intervention to protect depositors.
8. Accordingly, on 13 June 2024, FINMA initiated Bankruptcy proceedings against FlowBank due to insufficient capital and concerns of over-indebtedness. In doing so, FINMA appointed as liquidators, the law firm Walder Wyss AG (“the Liquidator”). **Now shown to me is a true copy of the press release issued by FINMA marked and exhibited as “CRR 4”.**
9. LCG advised the Commission, via email dated 13 June 2024 of the above-mentioned press release and the proceedings against FlowBank. Further, LCG advised the Commission, via letter dated 26 June 2024 of its ongoing communications with the Liquidators and FlowBank. **Now shown to me are true copies of the aforementioned emails and letter received by the Commission from LCG marked and exhibited as “CRR 5a and 5b”.**
10. LCG advised the Commission, via letter dated 12 July 2024, from its attorneys Graham Thompson, that it was unable to continue without the financial and operational support from FlowBank and sought the Commission’s intervention with initiating a Supervisory Liquidation of the Company. The Commission was also copied on an email communication with the Liquidators dated 11 July 2024, wherein the latter confirmed that, *“FlowBank SA in liquidation cannot provide any further financial services to LCG BHS and cannot give*

[LCG] *access to any funds...*” **Now shown to me are true copies of the aforementioned letter and email received by the Commission marked and exhibited as “CRR 6a” and “CRR 6b”.**

11. The Commission has been made aware that LCG is projected to be insolvent in the amount of **\$10,827,149.27**, noting that adjustments made by FlowBank leave the Company with insufficient funds to pay its clients. **Now shown to me is a true copy of the assessment letter sent by LCG to FlowBank’s liquidators regarding the Company’s June 2024 financials marked and exhibited as “CRR 7”.**
12. Additionally, on 27 September 2024, Sean Munnings, the CEO of LCG, attended the Commission’s offices and informed the Commission of the status of the Company, specifically discussing the financial and operational issues. During the meeting, the CEO advised the Commission of the following:
 - a. LCG is financially reliant on FlowBank and therefore unable to meet its debts and operational demands without this support. FlowBank has assisted LCG financially in the form of subordinated loans, but this approach was changed to providing assistance to LCG in the form of bank overdrafts. This only added to LCG’s debt issues because the overdrafts also accrue interest.
 - b. LCG’s financial reliance on FlowBank includes a “White Label Platform Agreement” which would have provided LCG with about thirty-one percent of the volume of revenue in the amount of about \$4,900,000.00 which they have been advised by FlowBank’s liquidators will not be fulfilled.
 - c. As FlowBank’s operations were halted, LCG clients were no longer able to freely trade or make withdrawals. This resulted in LCG being unable to provide information to their clients concerning their CFD trading and withdrawals.
13. Several regulatory matters relative to LCG’s operations have also given rise to concerns about their governance issues. Some of the more pertinent issues are more specifically outlined in paragraphs 14 to 21 herein.

Finances and Regulatory Capital

14. The Company’s Audited Financial Statements have, year over year, evidenced accumulated deficits, with the Company’s projected deficit as at December 2021 being 18,206,132.00. **Now shown to me is a true copy of the Company’s December 2021 audited financial statement marked and exhibited as “CRR 8”.**

15. Through correspondence to the Commission dated 1 February 2024, the company requested to extend the time for submitting their 2023 Audited Financial statements, to 31 July 2024. The Commission approved the Company's request on 25 January 2024. Notably, at the time of the Company's 1 February 2024 request, the company's 2022 financial statements also remained outstanding. Via correspondence dated 24 April 2024, LCG's external auditors, PricewaterhouseCoopers, noted that the following items were pending to complete LCG's 2022 Audited Financial Statements:

- a. Updates to the financial statements, following the internal review;
- b. Management Representation letter;
- c. Subsequent events procedures; and
- d. Completion of any remaining procedure once the open items are received.

Now shown to me are true copies of the said correspondence marked and exhibited as "CRR 9a" and "CRR 9b".

16. To date, LCG has not provided its Audited Financial Statements as at 31 December 2022 and 31 December 2023. LCG's financial insolvency and lack of funds are in direct contravention of regulatory capital requirements, necessitating regulatory intervention.

Corporate Governance

17. LCG's regulatory challenges are compounded by governance issues and noncompliance with corporate obligations. A review by the Commission of the 2021 Annual Information Update Form of LCG showed that Mathieu Charles Jean Bruneau and Sergio Verdial Arango were appointed as Directors by Resolution. However, the 2022 and 2023 Annual Information Update Form's evidenced Mr. Sean Munnings as the sole Director without any indication of incumbent Directors. **Now shown to me are true copies of LCG's 2021, 2022 and 2023 Annual Information Update Forms marked and exhibited as "CRR 10a", "CRR 10b" and "CRR 10c".**

18. Via correspondence dated 22 January 2024, the Commission requested an updated register of Directors of the Company and confirmation as to when the Commission could expect the appointment of at least one additional Director to the Board of Directors. The Company's CEO and sole Director, Mr. Sean Munnings, advised the Commission that LCG would commence the process of selecting an additional Director and update the Commission once a person was chosen via a formal application and filing of the required documents. On 20 March 2024, the CEO notified the Commission of the Company's intention to appoint incoming Board Member Mr. Novica Todorovic as Director. To date, the Company has not presented the Commission with an application for an additional

Director of LCG. **Now shown to me are true copies of the correspondence between LCG and the Commission marked and exhibited as “CRR 11a” and CRR 11b”.**

Current Status of LCG


19. The current CEO of LCG submitted his resignation as CEO and Director on the 13 September 2024 to the Commission. The Commission accepted the CEO’s resignation as CEO and Director 14 November 2024.
20. Additionally, the Liquidator of FlowBank, via letter dated 8 July 2024, advised LCG of the termination of the intercompany services agreement and white-label license agreements between FlowBank and LCG. The Liquidator further advised LCG that any claim and supporting evidence should be submitted to the Liquidator by 15 July 2024, at the latest. **Now shown to me is a true copy of the letter marked and exhibited as “CRR 12”.**
21. As a part of the Liquidator’s Exit Management Plan, LCG was advised that they would be provided with reasonable assistance to facilitate the migration of their clients to another designated service provider and, most importantly, to proceed with the splitting of all data pertaining to LCG versus FlowBank. However, the deadlines the liquidator gave for this to take place have since passed and it is uncertain whether LCG has secured all or any of their data, to date. Additionally, while, via its CEO, LCG remains in contact with the Liquidator for the time being, the Company has ceased to operate. Given the mentioned regulatory issues coupled with the ongoing supervisory winding up of FlowBank. The Commission is of the view that LCG’s circumstances warrant the Commission initiating a supervisory winding up.
22. LCG is in agreement with the Commission’s decision to initiate a supervisory winding up for the following reasons:
 - a. LCG, projected to be insolvent in the amount of **\$10,827,149.27**, is unable to meet its debts and operational demands, and adjustments made by FlowBank leave the Company with insufficient funds to pay its clients;
 - b. Parent company, FlowBank, on whom LCG relies financially, is being wound up, and without this financial support LCG cannot continue operating; and
 - c. The Company’s Memorandum and Articles of Association (“MAA”) do not outrightly state how the Company should be wound up, but it is apparent that two (2) Directors are needed, and the Company has only one Director. In the circumstances, LCG is unable to commence a voluntary winding up, and so cannot seek approval from the Commission for same. **Now shown to me is a true copy of the said MAA marked and exhibited as “CRR 13.**

- 23. The Commission is concerned about LCG’s financial state of affairs, and to abate further decline, seeks to commence court-supervised winding up proceedings.
- 24. Considering the information above, I submit and confirm that the Commission has determined that it is in the public interest and the interest of LCG’s clients to have LCG subject to a court-supervised winding up as the insolvency issues, and operational and governance irregularities have together become insurmountable.
- 25. Via letter dated 31 October 2024, the Commission suspended the registration of LCG under secs. 148(f) and 150 of the Act, given the matters as set out herein, and the Commission being of the considered view that the suspension would be in the public interest. **Now shown to me is a true copy of the letter marked and exhibited as “CRR 14”.**
- 26. By letter in response, dated 1 November 2024, LCG advised the Commission of the company’s agreement with the suspension and intended winding-up of LCG. **Now shown to me is a true copy of the letter marked and exhibited as “CRR 15”.**
- 27. This Honourable Court, pursuant to sec. 89 of the International Business Companies Act 2011, Chapter 309 and sec. 186(f) of the Companies Act 2011, chapter 308 has the jurisdiction to wind up LCG. That is, a company may be wound up by the court if a regulator, namely, the Commission, petitions for the winding up of a company over which it has regulatory authority and whose license or registration has been suspended or revoked.
- 28. Based on the foregoing, the Commission humbly prays that this Honourable Court do grant the relief as prayed for in the Summons for Directions dated [] November 2024, that is, an Order that, inter alia, James B. Gomez, Managing Partner, and Noreen R. Taylor-Campbell, Partner, both with Ecovis Bahamas having its place of business at Serenity House, East Bay Street, Nassau, The Bahamas, be appointed as the Official Joint Liquidators of LCG, under court supervision.

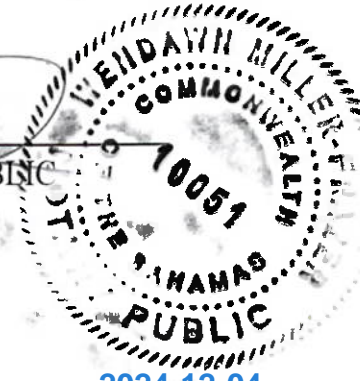
SWORN TO at Nassau, The Bahamas }
 This 3rd day of December, A.D., 2024 }



Before me,



 NOTARY PUBLIC



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CERTIFICATE

These are the Exhibits marked "CRR 1" through "CRR 15" referred to in the Affidavit of Christina R. Rolle filed herein and dated the 3rd day of December, 2024.

Before Me,


Notary Public


COMMONWEALTH OF THE BAHAMAS

IN THE SUPREME COURT

Commercial Division

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**IN THE MATTER OF LCG CAPITAL MARKETS
LIMITED (A Registered Firm)**

AFFIDAVIT OF CHRISTINA R. ROLLE

2024/COM/com/

Securities Commission of The Bahamas
Securities Commission of the Bahamas
Poinciana House
North Building, 2nd Floor
31A East Bay Street,
Nassau, Bahamas.

Attorney for the Petitioner