

**LFP I – a case study in
fund mismanagement and fraud**

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Introduction

Our team at Intel Suisse includes experienced investors, fund managers (Shimoda Capital), fund seeders (establishing funds and allocating first capital), digital forensics experts, extensive financial markets experience and experienced fraud researchers – which we bring to bear in recovering assets and investigating financial fraud.

However, we always advise trying to avoid a fraud before it happens, so this presentation provides a chilling overview of how a prize-winning Luxembourg-regulated fund was all gloss and investment fabrication, with almost all parties involved culpable for the losses..

Beware!! There are a lot of very smart financial fraudsters out there hiding with regulated fund structures, with “top” service providers !!

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1). LFP I – fund/sub-fund overview

- 1. A Luxembourg SICAV umbrella fund, with up to 20 sub-funds**
- 2. Regulated by the CSSF in Luxembourg**
- 3. Directors & AIFM responsible for the fund and its decisions**
- 4. Typical service providers – administrator, custodian, auditor**
- 4. Advisors sponsor each sub-fund & present investments to the AIFM**
- 5. Advisors market and raise capital, but no accountability**
- 6. September 2018 – sub-funds Aventor, Blackstar Commodities, Columna Commodities, Equity Power, Seventh Century, 21C, Rhea**

2). How we got involved...

- 1. A swiss investor who'd lost all his money in Columna, Dec. 2017**
- 2. 2, 3, 5, swiss investors all in Columna – 100% losses (€ 53 million)**
- 3. Revelations – Administrator was shareholder in AIFM, with directors**
- 4. Advisors had zero experience in commodities**
- 5. First press release triggered more clients – now 40+**
- 6. CSSF contacted, they pushed back – “well-informed investors”**
- 7. New owner of AIFM put head in the sand => LFP 1 directors resigned**
- 8. Attempt to bury LFP 1, my team were elected as directors at EGM**

3). Fraud after fraud, loss after loss

1. Sep. 2018 EGM, CSSF approved team as directors Dec. 2018
2. Columna, 100% loss - € 53m. / Aventor, 100% loss - € 6m.
BlackStar, 100% loss - € 5m. / 21C 90% loss - € 2m. /
Rhea 100% loss - € 1m. - all in liquidation except Blackstar
3. Equity Power Fund, € 80m., Seventh Century, € 12m., both ok
Both decided to migrate out to another fund
Equity Power Fund migration stops - € 35 m. fraud discovered
4. Most funds used overseas intermediary companies (??)
despite Luxembourg tax efficiency – deliberate to dilute control
5. NAV manipulation, fraud, funds wired to wrong country with bank insider, poor auditing, Ponzi scheme, insider trading, custodian losses, minimal due diligence, breach of diversification, etc..

4). Actions we took / are taking

- 1. Columna – sued AIFM, custodian bank (s), directors, advisor**
- 2. Aventor – sued auditor, pending against directors/AIFM/advisor/admin.**
- 3. Blackstar – legals pending, FBI assisting in asset recovery**
- 4. Equity Power Fund – criminal complaint in Belgium, Lux pending**
- 4. Assumed control of overseas entities**
- 5. Investigated flow of money, despite bank withholding past statements**
- 6. Reported US\$ frauds to FBI, UK frauds to NCA/SFO, other jurisdictions**
- 7. Active press campaign to name & shame**

5). What the regulators and law enforcement did (“nt”)

- 1. CSSF initial response - “well informed investors” - go away**
- 2. CSSF now fully informed on all frauds/breaches – done zero**
- 3. 2 money laundering reports filed – investigating judge slow**
- 4. FBI engaged – UK's NCA/SFO zero – Lux Police zero**
- 5. Belgian and Dutch law enforcement active**
- 6. We continue to use press to highlight the frauds...**
- 7. ESMA complaint submitted**

6). Current status

- 1. LFP I under CSSF supervision due to custodian resignation**
- 2. CSSF obstructing our work, withholding payments, salaries..**
- 3. Press very supportive and momentum growing**
- 4. Directors being attacked by fraudsters, legally and social media, attempts to bribe, personal pressure**
- 5. Court hearings starting**
- 6. Luxembourg law enforcement starting to act (??)**

7). Lessons to be learnt..

1. Luxembourg weak regulatory environment, buries mistakes!!
2. Lack of experience in management and advisors – **a warning**
3. Investment recovery 10x harder than earning the investment
4. UK law enforcement – no resources, zero engagement
5. US law enforcement active (remember FIFA??)
6. Service providers dig in and resist, playing for time
7. Lawyers always win... our job is to win for investors!!!