



Financial Sector
Conduct Authority

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DATE:	6 July 2021	E-MAIL:	[REDACTED]

PRIVATE AND CONFIDENTIAL

MIRROR TRADING INTERNATIONAL (PTY) LTD

43 Plein Street
Unit 1, Ground Floor
Stellenbosch
Western Cape
7600

Attention - Via Email:

Mr CJ Steynberg [REDACTED]; and [REDACTED]
Mr Clynton Marks [REDACTED]
Mr Charles Ward [REDACTED]; and [REDACTED]
Ms Monica Coetzee [REDACTED]
Mr Romano Samuels [REDACTED]
Mrs Cheri Marks [REDACTED]
Mr Leonard Gray [REDACTED]
Mr Usher Bell [REDACTED]

Via Registered Mail: [REDACTED]

And

[REDACTED]

And To

The Provisional Liquidators: Pierred@mbalaw.co.za;
riaan@investrust.co.za; mat@coombe.co.za;
herman@tygerbergtrustees.co.za;
sebenzatrust@absamail.co.za;
deidre@tshwanetrust.co.za;
hannes@tshwanetrust.co.za; btrust@mweb.co.za;

Dear Sirs

PROPOSED REGULATORY AND ADMINISTRATIVE ACTION IN RESPECT OF MIRROR TRADING INTERNATIONAL (PTY) LIMITED

INTRODUCTION

1. This correspondence is addressed to Mirror Trading International (Pty) Ltd (“MTI”) as well as the previous management of MTI, being Mr Cornelius Johannes Steynberg and Mr Clynton Marks. Due to the fact MTI has been placed under provisional liquidation, this correspondence is also addressed to the joint liquidators, being in control of MTI.
2. You are hereby informed that the Financial Sector Conduct Authority (“the Authority”) is of the intention -
 - 2.1 To impose an administrative penalty of R100 000 000 (One Hundred Million Rand) on Mirror Trading International (Pty) Ltd (“MTI”);

GROUNDINGS FOR THE INTENDED REGULATORY ACTION

3. The Authority may in terms of section 167(1)(a) of the Financial Sector Regulation Act (“FSR Act”) impose an administrative penalty on a person if that person has contravened a financial sector law.

REASONS FOR THE INTENDED REGULATORY ACTION

4. The salient reasons that informed the intended regulatory action are derived from the findings in the draft investigation report. The reasons discussed below are not exhaustive and should be read in conjunction with the facts contained in the draft investigation report, but may be summarised as follows:

The Business of MTI: April 2019 – July 2019 (“The First Period”)

5. From April 2019 to July 2019 MTI’s member trading accounts were linked to a professional trader appointed by MTI through a multi account manager

arrangement linked to Meta Trader 4. Trading was conducted in derivative instruments based on forex pairs, through a platform broker named FXChoice. After substantial losses were incurred, MTI requested its members to delink their respective FXChoice accounts from the multi account manager account and move their bitcoin to a pooled account.

6. MTI was not in possession of a financial services provider licence as contemplated in section 8 of the Financial Advisory & Intermediary Services Act 37 of 2002 (“FAIS Act”). MTI required such a licence, as it was conducting financial services as defined. Therefore, during this period MTI was conducting unregistered financial services in financial derivatives in contravention of section 7(1) of the FAIS Act. As this was done without a license, MTI was also in contravention of section 111 of the Financial Sector Regulation Act 9 of 2017 (“FSR Act”).
7. This aspect is discussed in more detail in paras 48 to 64 in the report.

The Business Of MTI: August 2019 To October 2020 ("The Second Period")

8. From August 2019 Steynberg claimed that MTI employed a bot together with a head trader and trading team to make all its trading decisions. This also amounts to unregistered financial services business in contravention of section 7(1) of the FAIS Act.
9. According to FXChoice MTI’s clients provided them with “trading statements” that they received from MTI. FX Choice discovered that the statements were based on demo trading accounts and not actual trades.
10. As a result FXChoice froze the balance of the crypto assets linked to MTI on the FXChoice platform. The little trading that was done resulted in a capital loss of approximately 30%. The trading volumes and amount of Bitcoin on the platform as provided by FXChoice falls substantially short from the expected trading volumes based on the public claims by MTI.

11. This aspect is discussed in more detail in paras 65 to 105 in the report.

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The Business Of MTI: October 2020 To December 2020 (The Third Period")

12. During October 2020, MTI claimed that it changed its trading activities to trade in derivative instruments based on Bitcoin, so that it no longer required an FSP licence. It is not correct as the submissions received from Steynberg revealed that the crypto assets were alleged to be traded in the form of a derivative product, which means MTI still required a licence from the Authority. It also means that MTI and its senior management was still contravening section 7(1) of the FAIS Act.
13. MTI, Steynberg, and Cheri Marks claim that the trading activities of MTI and all clients' crypto assets were transferred from FXChoice to MTI's new "broker", Trade300. The Authority followed all possible links to establish whether Trade300 existed. It could only find one reference to Trade300; i.e. the website of Trade300.
14. However, the website was and still is "under maintenance". On the desktop computer of Steynberg the investigation team found evidence of Steynberg having created the website of Trade300.
15. It is the *prima facie* view of the Authority that the claim relating to Trade300 is false. In fact, Trade300 does not exist as a trading platform independent of MTI. It seems to be no more than a very basic website created by Steynberg.
16. It is also the *prima facie* view of the Authority that the evidence that MTI, Steynberg and Marks provided to the Authority relating to the transfer of clients' assets from FXChoice to Trade300, is false. We have found no evidence of any significant store of Crypto assets on any trading platform, and most crypto balances appear in the name and under the control of Steynberg. The amount of such balances is well below the advertised balance on the MTI trading platform as being due to investors of MTI.
17. This aspect is discussed in more detail in paras 106 to 130 in the report.

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18. During the first period MTI conducted financial services with reference to derivatives in forex pairs (a financial product). During the second period MTI conducted financial services with reference to CFDs in Bitcoin (a financial product).
During the third period MTI conducted financial services with reference to a derivative relating to Bitcoin.
19. MTI required a category II licence (discretionary asset management). MTI did not have such a licence and have therefore contravened section 7(1) of the FAIS Act, as well as section 111 of the FSR Act.
20. MTI used only a relatively small percentage of the clients' assets to actually trade on a derivative platform. With reference to the balance of the assets it seemed as if Steynberg kept it in his name, and paid clients from this pool of funds as they requested withdrawals, based on their alleged derivative positions.
21. Apart from the clear misrepresentations made to clients, it is the *prima facie* view of the Authority that MTI also required an OTC derivative provider licence. MTI did not have such a license and therefore contravened Section 2 of the Regulations issued in terms of the Financial Markets Act 2012, and section 111 of the FSR Act.
22. Based on the findings of the investigation the Authority is of the *prima facie* view that:
 - 22.1 MTI, through the activities of Steynberg and Cheri Marks, and with the assistance of Clynton Marks and others, conducted illegal financial services in contravention of section 7(1) of the FAIS Act for a period of at least 2 years;
 - 22.2 The activities of MTI, Steynberg, Cheri and Clynton Marks also constitutes a contravention of Section 2 of the Regulations to the Financial Markets Act 2012 and section 111 of the Financial Sector Regulation Act 9 of 2017.; and

22.3 The same persons made material misrepresentations to their clients over an extensive period of time; and clients were misled in the process.

Intended administrative action

23. Based on the findings of the investigation, and its *prima facie* view that MTI contravened certain financial sector laws, the Authority intends to:

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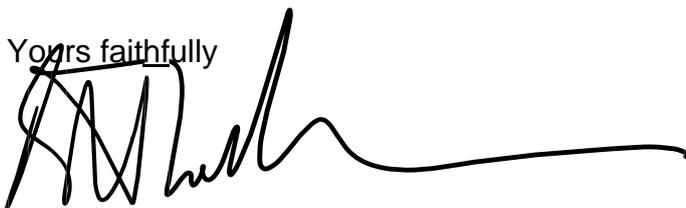
23.1 impose an administrative penalty of R100 000 000 (One Hundred Million Rand) on Mirror Trading International (Pty) Ltd (“MTI”);

Opportunity to Comment

24. You are hereby afforded the opportunity to make submissions on the investigation report, the proposed administrative penalty. Your response must be delivered to our offices and marked for the attention of Ms Andrea Coetzer ([REDACTED]) by no later than close of business on **6 August 2021**.

25. If no response is received within the prescribed period, the Authority may proceed with the proposed enforcement and regulatory action.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Brandon Topham', written over the text 'Yours faithfully'.

Brandon Topham for the Financial Sector Conduct Authority