



SECURITIES AND EXCHANGE COMMISSION

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"ENSURING INVESTOR PROTECTION"

Our Ref: SEC/DDGF/Mangold/Vol.1/09-18

September 7, 2018

Chief Executive Officer
Menzgold Ghana Ltd
Opposite Nogahil Hotel
Accra.

Attention: Nana Appiah Mensah.

Dear Sir,

NOTICE TO SUSPEND TRADING WITHOUT LICENCE.

The Securities and Exchange Commission (SEC) is a statutory establishment which under section 3 of the **Securities Industry Act, 2016 (Act 929)** has inter alia, the mandate to maintain surveillance over activities in securities to ensure orderly, fair and equitable dealings in securities and to register, licence, authorized or regulate market operators in accordance with Act 929.

The SEC has keenly followed and investigated the operations of Menzgold Ghana Ltd (hereinafter referred to as Menzgold) since 2017 including paying a working visit to the head office of the company on 23rd August, 2018 by some officials of the SEC to further understand the operations of the company where a meeting was held with Mr. Nana Yaw Offei, Commercial Manager and Rev. Derek Akubia, an adviser to the CEO.

The interactions with Mr. Offei and Rev. Derek Akubia confirmed to SEC the view that the aspect of Menzgold's business which involves the purchase/deposit of gold collectibles from the public and contracts issued with guaranteed returns with clients is a capital markets activity (issuance of gold-backed depository notes to the public) under Act 929 without a valid licence issued by SEC contrary to section 109 of Act 929 with consequences under section 206 (1) of the same Act.

Subsequent to the visit by the SEC officials, a request for specific detailed information was made and Menzgold has through its lawyers agreed to provide the necessary information requested by the SEC within fourteen days. The provision of the information however does not make that aspect of Menzgold's operations any less of an illegality under Act 929 as well as a threat to unsuspecting and uninformed investors.

Accordingly, the SEC hereby directs Menzgold Company Ltd to shut down immediately the business of trading in gold collectibles with guaranteed returns to clients which constitutes, in essence, dealing in securities with neither the necessary license nor disclosures authorized by the SEC. No new contracts should be created and all advertising of the investment business halted with immediate effect.

Failure to comply with this directive will lead to the SEC employing other relevant measures under the law to enforce compliance.

This directive does not preclude you from continuing your other businesses of assaying, purchasing gold from small scale miners, and export of gold.

Sincerely Yours,



Paul Ababio
Deputy Director General

Cc:
Director General
Head, Audit and Risk Management
Head, Policy Research and IT
Head, Legal and Enforcement
Head, Funds Management
Head, Legal and Enforcement



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Our Ref: SEC/DDGF/MineralsComm./Vol.1/09-18

September 3, 2018

Chief Executive Officer
Minerals Commission
P.O. Box M212
Accra.

Attention: Mr. Kwaku Addae Antwi-Boasiako

Dear Sir,

TRADING IN SECURITIES WITHOUT LICENCE BY MENZGOLD GHANA COMPANY LIMITED.

Reference is made to the meeting held on 27th August, 2018 involving The Securities and Exchange Commission (SEC), Bank of Ghana (BOG) and the Minerals Commission (MINCOM) on the business activities of Menzgold Ghana Company Ltd.

In the said meeting, it was agreed that the SEC and BOG should write to MINCOM articulating their concerns with respect to Menzgold. It is in furtherance of this agreement that the SEC, is writing this letter.

It is established that Menzgold is a licensee of MINCOM to purchase gold from licensed sellers and to export same.

However, since 2016 or thereabouts, it has come to our notice that Menzgold, in addition to its primary business of assaying of gold and export of gold, also sells (through its agent, Brew Marketing) and purchases gold collectibles from the general public. The purchase of collectibles are done through its "trading platform" into which the public can place their gold assets for a guaranteed return of 4-10% monthly (48% - 120% per annum) depending on the quality and quantity of gold deposited. It is unclear the nature of trading conducted to achieve such returns, and our opinion is that the return offered does not communicate the true nature of risk investors are assuming.

The contract notes issued are on a fixed interest rate basis for a maximum tenor of one (1) year and a minimum tenor of three (3) months. Information obtained from the market place indicates that interest is paid on a monthly basis in cash species.

Menzgold has a related company, Brew Marketing Limited that sells gold collectibles to the public without any form of licence from MINCOM. It is this same collectible that is deposited with Menzgold for trading. The two business models are intimately linked.

In September 2017, the SEC issued a public notice indicating that it does not regulate Menzgold. The SEC began further investigations into the activities of Menzgold in July 2018. In August 2018, the Commission called for an inter-sectoral meeting that involved the Minerals Commission, the Bank of Ghana, and the Securities and Exchange Commission. The meeting concluded that it is evident Menzgold's activities appear to go beyond the mandate authorized in its license.

On 23 August, a team from SEC visited Menzgold to seek greater insight into the nature of their operations. The team met with Mr. Nana Yaw Offei, Commercial Manager and Rev. Derek Akubia, an adviser to the CEO. The visit revealed that Menzgold views its purchase of gold from the general public as a legitimate activity since they are purchasing collectibles.

However, the aspect of Menzgold's business which involves the purchase/deposit of gold collectibles from the public and contracts issued with guaranteed returns for its clients amounts to dealing in securities (issuance of gold-backed depository notes to the public) under section 216 of the **Securities Industry Act, 2016 (Act 929)** without a licence from the SEC contrary to section 109(1) of Act 929.

Again, the invitation by Menzgold to the public to invest in its business is in violation of section 265(1) of the **Companies Act, 1963 (Act 179)** as variously amended and section 207 of Act 929 as well as regulation 40 of the Securities and Exchange Commission Regulations, 2003 (L.I. 1728).

It is our expectation that, being your licensee, MINCOM would call Menzgold to order and direct it to conduct its business in accordance with the licence issued to it by MINCOM.

Sincerely Yours,



Paul Ababio
Deputy Director General
For: Director General

cc:

Director General, SEC
Head, Other Financial Institutions Supervision Department
Bank of Ghana, Accra