

## Erik Lindholm

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**Från:** Henrik Borg <henrik.borg@pensionsmyndigheten.se>  
**Skickat:** den 23 februari 2017 14:53  
**Till:** Erik Lindholm; Mikael Westberg  
**Ämne:** SV: allra pm

Absolut!  
/H

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**Från:** Erik Lindholm [mailto:erik.lindholm@fi.se]  
**Skickat:** den 23 februari 2017 11:50  
**Till:** Henrik Borg <henrik.borg@pensionsmyndigheten.se>; Mikael Westberg <mikael.westberg@pensionsmyndigheten.se>  
**Ämne:** SV: allra pm

Och denna kan vi skicka vidare till CSSF?

/Erik

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**Från:** Henrik Borg [mailto:henrik.borg@pensionsmyndigheten.se]  
**Skickat:** den 23 februari 2017 11:46  
**Till:** Mikael Westberg; Erik Lindholm  
**Ämne:** SV: allra pm

Hej Erik!

Här en justerad översättning där vissa möjligen förhastade slutsatser tagits bort och att det tydliggjorts vad som är uppgifter som inkommit till Pensionsmyndigheten.

Vänliga hälsningar  
Henrik

**Från:** Erik Lindholm <erik.lindholm@fi.se>  
**Datum:** 23 februari 2017 08:31:18 CET  
**Till:** "[mikael.westberg@pensionsmyndigheten.se](mailto:mikael.westberg@pensionsmyndigheten.se)" <[mikael.westberg@pensionsmyndigheten.se](mailto:mikael.westberg@pensionsmyndigheten.se)>  
**Ämne:** allra pm

Hej Mikael,

Åsa visade mig en pm som ni hade skrivit om Allra. Om jag förstod det rätt så var det ok att vi skickade den till CSSF efter ni hade gjort vissa justeringar. Har ni möjligen hunnit uppdatera denna pm?

Tror också att Åsa nämnde att vi tyckte att konklusionerna kring att Allra, Oak och Gustavia, dvs att de lämnade tillbaka sina tillstånd pga av undersökningar som vi bedrev inte var något som vi kunde skriva under på, dvs om någon frågade oss.

/Erik

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ERIK LINDHOLM  
Biträdande avdelningschef/ Deputy Director  
Fondtillsyn/ Fund Supervision

Finansinspektionen

Box 7821, SE-103 97 Stockholm, Sweden  
Brunnsgatan 3  
Tel +46 8 408 980 00. Dir +46 8 408 980 82  
Fax +46 8 24 13 35  
[erik.lindholm@fi.se](mailto:erik.lindholm@fi.se)  
[www.fi.se](http://www.fi.se)

## **1. BACKGROUND**

### **1.1 About Allra**

The Allra Group of companies was founded in 2008 by Alexander Ernstberger and David Persson. On the website ([www.allra.se](http://www.allra.se)), the company, having more than 250 employees, is described as a modern challenger to the large banks.

Allra Sverige AB is the parent company to the subsidiaries Allra Pension AB, Allra Försäkring AB, Allra Finans AB, Prognosia AB, Allra Asset Management S.A. and Allra International Ltd. In 2016,

According to the website, Allra Pension AB was founded in 2008 under the name Svensk Fondservice AB. Svensk Fondservice AB was licensed in 2010 as a securities company and insurance broker. In 2012, the company was licensed as an investment advisor. Svensk Fondservice is presently a registered trade mark owned by Allra.

Due to the fact that Allra did not have authorization in Sweden as a fund manager, the fund business was initially conducted under Gustavia Fonder AB (which functioned as a fund hotel), until Gustavia requested revocation of its license due to investigations into its business which were initiated by the Swedish FSA.

In connection with Allra's acquisition in 2015 of Prognosia AB, including funds in Luxembourg, Allra S.A. SICAV was established in Luxembourg with Allra Asset Management S.A as the fund manager. According to its annual report, Allra started a securities company in Dubai in 2015.

Allra is one of the largest operators on the Swedish premium pension fund market with managed fund capital of close to SEK 20 billion.

During the period of Allra's involvement in the premium pension sector, the company has been one of the operators to attract the most customer complaints. In addition, several of the leading persons involved in the company have been subject to review and action from supervisory authorities. For this reason, it may be questioned whether the funds managed by Allra are suitable to be part of the premium pension fund market, and whether the representatives of Allra are suitable to be entrusted with the management of significant sums of pension capital.

## 1.2 Legal prerequisites

### 1.2.1 The premium pension system and the Swedish Pensions Agency

The premium pension system is part of the national pension system in Sweden. The current pension system was established in 1998. Premium pension capital corresponding to 2.5 per cent of the annual income of every wage earner is every year put into the premium pension fund market. The capital is invested in securities funds administered by fund managers who fulfil certain requirements and who have concluded a cooperation agreement with the Swedish Pensions Agency (SPA).

Pension savers may themselves choose the fund or funds in which their capital will be invested. Pension savers may also switch funds free of charge at any time during the period of saving.

The SPA is a government agency that was established to administer and provide information about the pension system, where the premium pension system is included. The premium pension system basically functions as a unit linked insurance. As a result, it is the SPA that is the legal owner of all shares in the premium pension funds. It is thus the SPA that is responsible for account and fund trading administration vis-à-vis the pension savers.

### 1.2.2 Requirements for Fund Managers

To be permitted to offer funds via the premium pension system, a fund manager must be authorized to operate a fund management business in Sweden or be authorized to market the fund(s) in Sweden. In addition, the fund manager must enter into a cooperation agreement with the SPA and follow the undertakings that the co-operation agreement stipulates vis-à-vis the SPA.

The fund manager's undertakings are governed by the co-operation agreement. The undertakings required are for example:

1. The fund manager's funds must be considered suitable for registration in the premium pensions system. The term 'suitability' includes a responsibility for maintaining pension savers' confidence in the premium pension system.
2. A fund manager must invest pension savers' money in a professional manner, and in all contexts must act in such a way that the professional conduct of the fund manager cannot be questioned.

Circumstances that result in a fund manager not being considered suitable could, for example, be that the fund manager's funds make investments that are deliberately designed to prevent transparency as regards investment results. Another example is the fund manager making investments where there are conflicts of interest, which may cause

the fund manager's independence to be questioned. Co-operation with unreliable entities that do not observe applicable law and regulations, and criminal actions by the fund manager and its co-operation partners are additional circumstances that may result in a fund manager not being considered suitable. If such circumstances exist, the fund manager's fund(s) may be de-registered.

## **2. CIRCUMSTANCES OF RELEVANCE TO SUITABILITY**

### **2.1 Sales and marketing of the funds and additional services**

Although not the subject of this memorandum, it should be mentioned that Allra for a long time has been noted for very aggressive marketing in Sweden, resulting in numerous customer complaints. The Pension Agency is currently conducting investigations into any improper marketing methods.

### **2.2 Questionable investments and other uncertainties related to the funds**

#### **2.2.1 Large investments in structured products with limited liquidity and transparency**

Allra Asset Management S.A. has invested nearly 700 million in a warrant under the name:

NatixisStructI 29/12/2017 Bkt of Indices with ISIN-code LU1062456733.

The warrant was sold back to the issuing bank on February 17, 2017 generating a stated profit of 60%.

The warrant was the largest holding in the funds Allra Modig and Allra Lagom. These are Allra's two largest funds with a total managed premium pension capital of approximately SEK 14 billion. The instrument was by far the largest holding in these two funds.

The relevant holding is a warrant related to five different indices at each given time. The warrant expires in January 2018. The issuer of the warrant is Natixis Issuance SA. The observation date to determine the final price ranges from 21 December 2017 – 29 December 2017 on five different occasions, of which the average is used. The currency is USD.

According to the product's final terms, the Issuer calculates the value and thus acts as Calculation Agent. The final date for the valuation is 29 December 2017. The indices are weighted between the S&P/ASX 200, Hang Seng Index, KOSPI 200, MSCI Singapore Free Index and the Taiwan Stock Exchange Weighted Index, linearly with exposure of 20 %.

Regarding the liquidity risks, the following is perceived in the Final Terms which are attributable to the prospectus in Section D6.

*”It is not possible to predict the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. Each Issuer may, but is not obliged to, list Warrants on a stock exchange. Also, to the extent Warrants of a particular issue are exercised, the number of Warrants of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants of such issue. A decrease in the liquidity of an issue of Warrants may cause, in turn, an increase in the volatility associated with the price of such issue of Warrants.”*

*“Each of Natixis Structured Issuance SA, NATIXIS and any Dealer may, but is not obliged to, at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation. A Dealer may, but is not obliged to, be a market-maker for an issue of Warrants. Even if a Dealer is a market-maker for an issue of Warrants, the secondary market for such Warrants may be limited. In addition, Affiliates of Natixis Structured Issuance SA or NATIXIS (including, if applicable any Dealer) may purchase Warrants at the time of their initial distribution and from time to time thereafter. To the extent that an issue of Warrants becomes illiquid, an investor may have to exercise such Warrants to realise value.”*

It may be questioned whether the liquidity of the instrument, taken together with the size of the holding, did not over time jeopardize the ability of the fund company to comply with the UCITS Directive regarding liquidity.

Furthermore, there is reason to question whether the funds' NAV (Net Asset Value) was based on accurate, reliable and regular pricing, either with regards to market prices or prices provided by valuation systems independent from the issuer.

The fund company shall have a risk management function that is independent from the management, which captures the risks that are connected to various investments.

In respect of what can be discerned in the prospectus for the relevant transferable security, it may be assumed that Allra Asset Management S.A. is familiar with the fact that the liquidity and the secondary market for the instrument were severely limited.

The Pensions Agency questions that a cautious and prudent trustee would invest so heavily in an instrument with such limited liquidity.

The Pensions Agency also questions the benefit of having this type of instruments in a broad equity fund. A professional manager should independently be able to structure its holdings so that the risk profile and any desired leverage against the current indices are achieved without having to pay the high fees that are often associated with these types

of product. This would also limit the counterparty risks and liquidity risks of the position compared to buying a structured product from an individual issuer.

Additionally, the arranger of this product is in fact Allra's subsidiary, Allra International Ltd. It is quite rare to do businesses of this size with an associated company as an intermediary, especially when, as in this case the subsidiary is a company registered in Dubai, where the transparency for the Swedish authorities is severely limited.

### **2.2.2 Very large losses on structured products**

Allra has made very large losses on index-based certificates. The total loss is close to SEK 700M. Losses on individual instruments are in the range of 50-99%. It must be investigated how and why these investments in the funds were made, and also if the investments were made using Allra International Ltd as arranger. Allra's position is that the losses are all attributable to hedges that became worthless as the market went in the direction of Allra's main investment strategy. This raises the question why one would have so many and so large hedges against one's own strategy that the portfolio would underperform even if all assumptions underlying the investment strategy turned out to be correct.

## **2.3 Network of persons behind the funds**

### **2.3.1 Conflicts of interest**

There is, according to what has been described above, extensive demands on a fund company to handle and identify potential and active conflicts of interest. With that in mind there is reason to question if it is in the unitholders best interest that the fund company acquires structured products from a sister company and if the operation has been carried on in a suitable and independent way with respect to the size and business of the company. There is a palpable risk that unitholders' and other client's interests will be affected negatively given that the fund has acquired structured products that the sister company has arranged and sold.

### **2.3.2 Persons**

Allra moved its fund operations to Luxembourg in 2014 and became authorized to conduct fund operations. Before that Allra was a securities company regulated by the Swedish Financial Supervisory Authority, however not to conduct fund operations. Instead, Allra's funds were managed by Gustavia Fonder AB, which at the time had a permit to conduct fund operations.

In 2013 Gustavia invested in three structured products, which were sold by Oak Capital AB (Oak). The products were then held for about half a year and included in Allra's annual report. After that period of time Oak repurchased the holdings from Gustavia.

The same business day the holdings were sold to the issuing investment bank (Natixis) for a fraction of the invested amount. Oak made a profit of around SEK 120 million from these transactions. The structured products were illiquid and difficult to value. The set-up was the same that has been described above regarding the warrant NatxisStrucI 29/12/2017 Bkt of Indices (LU1062456733).

One hypothesis suggested by seemingly well-informed sources to the SPA is that the profit that Oak made (120 million SEK), was moved to the company in Dubai and was equally shared between the main owners in Oak (Olle Marcusson and Ewran Mersin) and the founders of Allra (Alexander Ernstberger and David Persson). Olle Marcussen and Ewran Mersin are now respectively CEO at Allra Asset Management S.A. (the SPA's counterpart) and CEO at Allra International Ltd. in Dubai.

Ewran Mersin and Olle Marcusson are also, together with an individual named Barbaros Ökten, involved in another company in the premium pension system Life Funds Emea. Barbaros Ökten is reported to the police by the SPA, suspected to have been instrumental in the embezzlement of several hundred million SEK from another fund company in the premium pension system, Falcon Funds Sicav.

Ewran Mersin, Olle Marcusson and Barbaros Ökten know each other from Oak Capital, where they all worked. In addition to being director at Allra International a man named Peter Ollilla is also on the board of Life Funds,

It is furthermore noted that the Norwegian Financial Supervisory Authority issued a report concerning Oak Capital and its directors Mersin and Markusson and Christer Swartz (who is now vice CEO at Allra). In the Norwegian branch office that was criticized, there were no employees, the operations were conducted from Stockholm under the supervision of said directors. The Norwegian Financial Supervisory Authority stated that the company had committed serious and systematic violations of the requirements of fair business practice and that the company had put its own interests ahead of the customers' interests.

### **3. ASSESSMENT**

The information obtained during the preliminary examination gives rise to grave concerns, and it appears likely that the SPA will intervene against Allra under the cooperation agreement. It is not unlikely that the funds will be deregistered. The SPA will therefore suspend the funds from the premium pension fund market pending the completion of the investigation.

