

Schedule “A”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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IN THE MATTER OF MUGHAL ASSET MANAGEMENT CORPORATION, LENdle CORPORATION and USMAN ASIF

AMENDED STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1
of the *Securities Act*, RSO 1990, c S.5)

A. OVERVIEW

1. This proceeding serves to caution the public and hold an individual and companies he controlled accountable for using the veneer of a legitimate investment firm to perpetrate a multi-million dollar investment fraud.

2. Mughal Asset Management Corporation (**Mughal**) was a sham investment corporation operated by Usman Asif (**Asif**). Over a five-year period, Mughal and Asif raised approximately CAN\$2.73 million and US\$264,000 from over 80 investors by representing that Mughal was a legitimate investment firm that traded in securities on behalf of individuals. Asif primarily targeted Ontario investors from the Pakistani community, using advertisements in Urdu on a local radio station, advertisements and events connected to the Ryerson Pakistani Students Association and his own networking in that community.

3. Mughal and Asif promised investors a significant return on their investment. Mughal had a website, an office in Toronto, detailed client agreements, and provided investors with monthly statements showing the growth of their investments. Asif hired several individuals to work in the office. In reality, Asif was using Mughal and Lendle Corporation (**Lendle**), a new corporation started by Asif in 2019, to operate a Ponzi scheme in which new investor funds were used to pay “returns” to old investors. This scheme also funded Asif’s lifestyle and personal expenses, including the purchase of residential real estate in the Greater Toronto Area.

4. During the investigation of his conduct, Asif repeatedly misled and interfered with the work of several investigation teams (collectively, the **Investigation Team**). Asif lied to and

misled the Investigation Team while testifying under oath and in correspondence. Asif also failed to produce documents required by a summons and concealed the existence of certain documents from the Investigation Team, unlawfully disclosed the nature or content of the investigation and details regarding a summons, coached a witness on how to draft a written response to the Investigation Team and encouraged other witnesses not to speak with the Investigation Team during the investigation.

5. This dishonest, deceitful and fraudulent conduct by Mughal, Lendle and Asif (the **Respondents**) harmed investors, including vulnerable individuals, and threatened the integrity of Ontario's capital markets. In order to protect investors from future fraudulent activity, Mughal, Lendle and Asif should be disqualified from any future participation in Ontario's capital markets.

B. FACTS

The following allegations of fact are made:

(i) Dishonest Representations to Investors

6. From October 2016 until December 2021 (the **Material Time**), Mughal and Asif raised approximately CAN\$2.73 million and US\$264,000 from over 80 investors by making false representations that Mughal was an investment firm and managed various investment funds. Mughal and Asif represented that investor funds would be pooled and used to invest in securities. Asif was at all times the sole director, shareholder, chief executive officer, and directing mind of Mughal.

7. The investments in Mughal constituted "securities" as defined by sub-section 1(1) of the *Securities Act*, RSO 1990, c S.5, as amended (the **Act**).

8. In the course of marketing investments in Mughal to investors and prospective investors, Mughal and Asif made false representations regarding:

- (a) the business and operations of Mughal (that it was an investment firm operating several investment funds);
- (b) the nature of the investment (that investor funds were being invested into different investment funds, such as a "Quarterly Income Fund" or "Growth Fund," or were being used directly to purchase securities in initial public offerings (**IPOs**));

- (c) the use of the investment proceeds (that investors would be paid all profits on the investment in securities less a 2 percent management fee); and
 - (d) the expected returns on the invested funds (that investors could expect to earn 2 to 5 percent in monthly returns).
9. Mughal and Asif advertised in various ways, including:
- (a) the Mughal website (www.mughalassetmanagement.com), which advertised Mughal as an investment firm. The website stated that Mughal “specialize[s] in helping families, businesses and individuals meet their financial needs through investing.” The website also provided a “Client Log-In” portal where investors were told they could log in to view their investments.
 - (b) numerous advertisements on a local radio station (Canadian Multicultural Radio (CMR) 101.3 FM) in English and Urdu from 2018 to 2020 advertising that Mughal was an investment firm, managed an investment fund, and that Mughal averaged a return on investment (ROI) of 2 to 5 percent per month.
 - (c) Asif used business cards and sent emails in which he referred to himself as a “Fund Manager.” Asif also hired various employees to work in the Toronto office and gave them titles such as “Assistant Fund Manager.”
 - (d) several social media sites, including YouTube, Instagram and Facebook. Mughal arranged for a promotional video to be posted on the Ryerson Pakistani Students Association Facebook page soliciting investments for Mughal from Ryerson students. A comment from Asif on that video stated that Mughal would be operating a booth at Pakistani Students Association events and invited students to stop by.
 - (e) Mughal provided investors with “Client Forms” that represented that Mughal was using investor money to invest in securities. The Client Form provided a description of Mughal’s management fees and provided investors with the opportunity to select the type of investment fund, such as the “Quarterly Income Fund” or the “Growth Fund.”

- (f) Mughal “monthly reports,” which showed the amount of the investment and the alleged “profits” or “losses” to the investor’s funds during that month and since their investment. Certain investors were also paid “return payments,” which they believed was the profits on their investment.

10. In addition, investors and prospective investors met with Asif in the Mughal office in Toronto and spoke with him on the phone and by text message. In these conversations, Asif provided general descriptions of what he was investing client funds in, including “stocks” and “bonds”. Investors believed their funds were being pooled and invested in securities.

11. Asif told investors and prospective investors that they could expect a significant return on their investments. Asif also represented to certain investors that he could provide specialized services for their investments or their Mughal accounts, such as providing registered tax-free savings accounts or investing directly in IPOs.

(ii) Deprivation and Harm to Investors

12. Mughal was a sham and did not operate an investment firm. Mughal had no brokerage account, never directly purchased securities, never set up any investment fund, generated no revenue and took no meaningful steps to engage in any revenue generating activity other than raising funds from investors.

13. There is no evidence that Asif made any real attempt to operate an investment fund or adhere to any representations made to investors. Although Asif transferred approximately five percent of total investor funds through his personal bank accounts to his personal Questrade brokerage account, he used these funds to make risky investments and incurred substantial losses. There is no evidence that these investments in Asif’s personal account were made for the benefit of the Mughal investors.

14. Instead, investor funds were primarily used to pay back other investors, either as simulated return payments or to satisfy withdrawal requests. Of the approximately \$2.9 million raised (CAN\$2.73 million and US\$264,000), at least \$1.9 million was transferred back to old investors.

15. Investor funds were also used for Asif’s personal spending, transferred into his personal accounts or funneled into Lendle. During the Material Time, in the Mughal bank accounts, there was approximately \$560,000 in personal spending, credit card payments, cash withdrawals and

transfers to Asif's personal account. Asif used Mughal investor funds to buy gifts for family members, including a Kawasaki motorcycle. Asif also used Mughal investor funds to purchase a 5-bedroom house in Vaughan, Ontario for himself and a condominium in North York, Ontario in his brother's name.

16. Investors in Mughal never received any real return on their investment. Any investors who were not paid back with someone else's money lost all of their invested funds.

(iii) Lendle Participated in Mughal-Fraud on Investors

17. In or around November 2019, Asif incorporated Lendle, a purported credit and loan corporation, which up until January 2022 shared an office location with Mughal. Asif is the chief executive officer and directing mind of Lendle. Asif and his brother are the sole directors of Lendle. Since incorporation, Asif has used Lendle as a vehicle to further the fraud on Mughal investors, including by transferring investor funds from Mughal to fund Lendle operations and by using Lendle to pay back Mughal investors.

18. In addition, in or around mid-2021, Asif began to solicit certain Mughal investors to invest in Lendle. Asif represented that these funds were to be used for the Lendle business. In reality, Asif used these new Lendle investments to continue his fraudulent conduct. The funds that were invested in Lendle were used to pay back Mughal investors and for Asif's personal expenses.

(iv) Misleading Investigation Team and Interference with Investigation

Previous Investigations and Warning Letters

19. Mughal and Asif have been the subjects of previous investigations focused on potential unregistered trading in breach of section 25 of the Act. In the course of the previous investigations, Asif made multiple false or misleading statements to the Investigation Team by email, in response to Requests for Information (RFIs) and under oath in a voluntary examination on August 20, 2018.

20. During the previous investigations, Asif described Mughal's business as teaching investment courses. On multiple occasions, including by email and testimony under oath, Asif reassured the Investigation Team that Mughal was only teaching investment courses and was not raising investment funds from the public. Asif provided the Investigation Team materials from

the purported investment courses. Asif told the Investigation Team in his voluntary examination: “You can conduct a full investigation, I promise you, you’ll realize we’re just teaching.”

21. Asif also coached a witness, who was a former employee of Mughal, in how to respond to a RFI sent by the Investigation Team. The written response to the RFI dated April 11, 2019, prepared by Asif, stated that Mughal “generates revenue by teaching students how to trade the stock market.”

22. Mughal and Asif were sent two warning letters on July 2, 2019 and April 20, 2020 regarding potential unregistered trading. In response to the first letter, Asif wrote to the Investigation Team stating that: “Trading is a gray area and I have stopped it all together, [e]specially after the letter, until I know I am completely ready to meet the registration requirements. All I do now is teach and help manage finances for individuals and businesses.”

23. In June and July 2021, two individuals alleged that they had made investments with Mughal and understood that Mughal was investing their funds in securities. These new complaints alerted the Investigation Team that Asif was not truthful in his statements made in the previous investigations and was ignoring the warning letters he received in 2019 and 2020.

Misleading Statements and Interference with Investigation

24. Asif made several false or misleading statements to the Investigation Team in response to a September 21, 2021 summons and in a compelled examination that took place on October 22, 2021. For example, in response to the summons, Asif’s counsel sent a letter on October 14, 2021 which provided an inaccurate investor list and made the following false and/or misleading statements:

- (a) “Our client hereby confirms that since the above-noted warning letter was received, dated 20 April 2020, that our client has ceased any further similar conduct and altogether, halted any operation of Mughal Asset Management.”
- (b) “All alleged investors were immediate family members or friends. There were no efforts to market the company to a wider audience.”
- (c) “Mughal Asset Management did not operate as a formalized entity to entice third party investors; as stated above, all alleged investors were immediate family members or friends. The company never created any client forms, investment

agreements, client account statements, monthly financial reports and other client forms. As such, no productions are available to disclose.”

25. In his compelled interview under oath on October 22, 2021, Asif made the following false and/or misleading statements:

- (a) Mughal was just a registered name that never actually conducted business;
- (b) Mughal did not earn any revenue and did not raise any funds;
- (c) other than an investment club which Asif ran personally with his family and friends, Mughal never accepted any investment funds;
- (d) Mughal is no longer in business and ceased providing any services following receipt of the warning letter in 2019;
- (e) there were no radio station advertisements for Mughal;
- (f) Mughal never had any agreements or forms that it gave to clients for investment services;
- (g) Mughal never provided any monthly statements or accounting of returns for investors;
- (h) Mughal only had a bank account with RBC and did not have a bank account with any other bank;
- (i) no individuals sent money to Mughal’s TD Bank account as an investment in Mughal;
- (j) Asif only received approximately \$5,000-6,000 in compensation from Mughal;
- (k) Mughal has never provided any funds to Lendle;
- (l) Lendle has never raised money from investors for its operations;
- (m) Mughal and Asif never accepted funds from a person and then used those funds to pay another person; and

- (n) Mughal and Asif never accepted funds from an individual and then used those funds for personal spending.

26. Asif also made several attempts to disrupt the investigation into his conduct before, during and following his compelled interview on October 22, 2021. For example:

- (a) Mughal's primary bank account at TD Bank was closed on September 27, 2021, a few days after Asif received the section 13 summons;
- (b) following receipt of the section 13 summons, Asif solicited former Mughal investors to invest new funds into Lendle after advising these investors that he was closing the Mughal business;
- (c) Asif made several false statements about where he and Mughal had bank accounts, including stating that Mughal only had a bank account with RBC;
- (d) Asif avoided answering questions in his compelled interview by stating that he "did not know" or "did not recall" the answer to approximately 215 questions in a five-hour interview;
- (e) Asif opened a new bank account at HSBC a few days after his compelled interview and deposited investor funds into that account;
- (f) Asif used his personal bank account to accept investor funds following his compelled interview; and
- (g) after a cease trade order against Mughal and Asif was issued on December 17, 2021, Asif used his personal bank account to pay back Mughal investors.

27. In the course of the investigation, Asif also made several attempts to discourage Mughal and/or Lendle investors from speaking with the Investigation Team. Asif disclosed that he and Mughal were being investigated, including the nature or content of the investigation order issued under section 11 of the Act, and disclosed details regarding his September 21, 2021 summons issued under section 13 of the Act.

28. Asif also told at least one Mughal investor in 2022 that he had settled enforcement proceedings with the Ontario Securities Commission and that he would be able to pay investors

back. At the time, there was no settlement in place and Mughal and Asif were still subject to a cease trade order issued on December 17, 2021 and freeze directions issued on March 11, 2022.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

The following breaches of Ontario securities law and/or conduct contrary to the public interest are made:

(i) Breaches of the Act

29. Mughal, Lendle and Asif engaged in or participated in acts, practices, or a course of conduct relating to securities that they knew or reasonably ought to have known perpetrated a fraud on persons or companies contrary to subsection 126.1(1)(b) of the Act.

30. In addition, Asif:

- (a) authorized, permitted or acquiesced in the non-compliance of the Act by Mughal and Lendle contrary to section 129.2 of the Act;
- (b) misled the Investigation Team by:
 - (i) making false or misleading statements on material matters and/or omitting facts required to make the statements not materially misleading contrary to subsection 122(1)(a) of the Act;
 - (ii) failing to produce documents compelled under section 13, contrary to section 13 of the Act; and
- (c) disclosed the nature or content of a section 11 order and details regarding a section 13 summons, contrary to section 16 of the Act;

(ii) Conduct Contrary to the Public Interest

31. In addition to the specific breaches of the Act described above, Asif also engaged in conduct contrary to the public interest in the following manner:

- (a) as set out in paragraphs 19 to 23 above, Asif disregarded warning letters sent in 2019 and 2020;

- (b) as set out in paragraphs 24 to 27 above, Asif concealed the existence of documents, such as client forms, monthly reports and other client documents, and information, such as investor lists and bank account information, from the Investigation Team during the investigation;
- (c) as set out in paragraphs 19 to 27 above, Asif interfered with the investigation, including by coaching a witness on their written response to an RFI, encouraging witnesses not to speak with the Investigation Team, ~~and~~ attempting to conceal banking activity from the Investigation Team and shifting to soliciting new investments in Lendle after becoming aware that Mughal was under investigation; and
- (d) as set out in paragraph 28 above, Asif told at least one investor that he had settled enforcement proceedings when no settlement had occurred.

D. ORDERS SOUGHT

32. It is requested that the Capital Markets Tribunal (the **Tribunal**) make the following orders:

- (a) as against each of Mughal and Lendle:
 - (i) that it cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - (ii) that it be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - (iii) that any exemption contained in Ontario securities law not apply to it permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - (iv) that it be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

- (v) that it be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
 - (vi) that it pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
 - (vii) that it disgorge any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
 - (viii) that it pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
 - (ix) such other order as the Tribunal considers appropriate in the public interest.
- (b) as against Asif:
- (i) that he cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - (ii) that he be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - (iii) that any exemption contained in Ontario securities law not apply to him permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - (iv) that he be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

- (v) that he resign any position he may hold as a director or officer of any issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
- (vi) that he be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8 of subsection 127(1) of the Act;
- (vii) that he resign any position he may hold as a director or officer of any registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- (viii) that he be prohibited from becoming or acting as a director or officer of any registrant permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- (ix) that he be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- (x) that he pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- (xi) that he disgorge any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- (xii) that he pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
- (xiii) such other order as the Tribunal considers appropriate in the public interest.

33. These allegations may be amended and further and other allegations may be added as counsel may advise and the Tribunal may permit.

DATED this 14th day of ~~June~~ December, 2022.

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