



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
MINER EDGE INC., MINER EDGE CORP. and RAKESH HANDA**

STATEMENT OF ALLEGATIONS

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

A. OVERVIEW

1. This proceeding serves to caution investors regarding the presence of illegal and dishonest conduct in the emerging crypto-asset sector.
2. Miner Edge was a purported crypto-asset investment scheme masterminded by Brampton Ontario resident Rakesh Handa—but it was a sham. Handa and Miner Edge raised approximately \$113,000 in fiat and cryptocurrencies from 90 known investors throughout the world, including prospective immigrants to Canada in violation of the registration and prospectus requirements and under false pretences. Investors were promised their funds would be used to establish cryptocurrency mining operations that would generate extraordinary returns. However, no meaningful steps were taken to establish these operations, Miner Edge's promotional materials were full of misrepresentations, and Handa misappropriated investor funds to benefit himself and his family.
3. Handa also flouted Ontario securities law during Staff's investigation of his conduct. He repeatedly lied to and misled Staff while testifying under oath, concealed critical documents, unlawfully disclosed that he was to be examined by Staff and interfered with a key witness.
4. This dishonest and deceitful conduct by Handa and Miner Edge harmed investors, including vulnerable persons, and stained the integrity of Ontario's capital markets.

Those who defy fundamental investor protection requirements and obstruct Staff investigations must be disqualified from participating in Ontario's capital markets.

B. FACTS

5. There are two Miner Edge corporate entities, Miner Edge Inc. and Miner Edge Corp. (referred to collectively as "**Miner Edge**"), both incorporated in foreign jurisdictions in 2018. Since their inception, Handa has been the sole director, 100 percent shareholder, CEO and directing mind of both corporations.
6. Handa promoted Miner Edge as a cryptocurrency mining enterprise, claiming that investor funds would be used to establish and operate mining centres in Canada to mine cryptocurrencies including Bitcoin, Ethereum, Litecoin and Dash. Profits would supposedly be distributed to investors, who were assured of substantial returns. Investments into Miner Edge therefore constituted investment contract securities under the *Securities Act*, RSO 1990, c S.5 (the "**Act**").
7. Neither Handa nor Miner Edge was registered with the Commission to trade in securities and no exemptions from the registration requirement were available. No prospectus was filed in relation to any Miner Edge securities.
8. Miner Edge investments were solicited in two ways:
 - (a) Handa oversaw an online promotional campaign for the Miner Edge 'initial coin offering' or ICO. Miner Edge Tokens ("**MET**") were marketed to the general public on various platforms and sold directly from the Miner Edge website in exchange for payments in Bitcoin (BTC) or Ethereum (ETH); and
 - (b) Handa personally solicited fiat currency investments into Miner Edge through individual communications with prospective investors.

Both these fundraising streams, discussed in turn below, involved misleading investors and misusing their funds.

Handa and Miner Edge sold Miner Edge Tokens to the public through a misleading web-based marketing campaign and misused investor funds

9. While Handa marketed Miner Edge as a cryptocurrency mining business, he took no meaningful steps towards cryptocurrency mining. Instead, he used Miner Edge to sell MET for personal gain.
10. In approximately April 2018, the Miner Edge website (the “**Website**”) became publicly accessible and the Miner Edge white paper (the “**White Paper**”) was posted on the Website. Handa formulated content for the White Paper—much of which he plagiarized from the white paper of an unrelated cryptocurrency mining entity—and directed that the White Paper be posted on the Website. The Website and White Paper remained available on the internet for investors to view until approximately June 2019.
11. From approximately May 2018 until at least June 2019 Handa also supervised social media accounts associated with Miner Edge, including Twitter, Facebook, Telegram and Medium.com accounts as well as a YouTube channel.
12. The Website, White Paper and Miner Edge social media accounts focused on promoting the Miner Edge ICO and were riddled with false and misleading statements. For instance:
 - (a) they represented that MET would be delivered to investors who purchased MET from the Website. However, no MET were delivered to purchasers;
 - (b) they stated that Miner Edge was in the process of setting up cryptocurrency mining operations and would distribute mining profits to MET purchasers. No meaningful steps were taken to establish any cryptocurrency mining operation. In fact, the Respondents’ only business activities related to raising money from investors;
 - (c) they represented that Miner Edge had a Chief Technical Officer, a Chief Investment Officer and a Chief Management Officer. These positions did not exist and the persons identified as holding these positions did not serve, formally or informally, as officers of Miner Edge;

- (d) it was stated that every MET holder would have “access to a transparent accounting of all costs and output.” No accounting documentation was prepared nor were MET purchasers provided with access to any information on costs or output; and
 - (e) they represented that MET holders would earn annual returns in excess of 100% on their investment. Such returns did not materialize, nor could they have materialized, since Miner Edge had no operations, generated no revenue and took no meaningful steps towards engaging in revenue-generating activity.
13. Between approximately June 2018 and May 2019 at least 201.12 Ethereum (ETH) and 0.3824 Bitcoin (BTC) was raised from 87 known investors through online sales of MET, totaling approximately \$41,000.¹ Handa and Miner Edge misrepresented to investors how these proceeds would be spent and misused their funds.
14. The White Paper and the Website claimed that MET sale proceeds would be spent on:
- (a) setting up mining facilities (90%);
 - (b) software development, licensing, and research and development (6%); and
 - (c) administrative expenses including incorporation and legal support (4%).
15. No MET sale proceeds were spent on any of these items. Instead, Handa and Miner Edge used a portion of the proceeds to continue marketing MET and retained the remainder.

Handa made false and misleading claims to three individual investors and misappropriated their funds

16. Handa solicited approximately \$71,700 in Miner Edge investments from three Nigerian residents—Investor 1, Investor 2 and Investor 3—under false pretences and used their investments to benefit himself and his daughter, Kritika Handa.

¹ This total is based on publicly available BTC/CAD and ETH/CAD exchange rates as of the date of this statement of allegations.

17. Investor 1 had been a client of Handa's since 2015 in connection with Handa's purported immigration consulting business. In January 2018, Handa began encouraging Investor 1 to invest in a cryptocurrency mining project as a means for Investor 1 to immigrate to Manitoba through Manitoba's business immigration stream.
18. On March 2, 2018, believing he was investing in Miner Edge, Investor 1 wired approximately \$19,500 into an Ontario bank account in the name of a Handa-operated business called Telemall. This bank account was controlled by Handa.
19. In procuring these funds from Investor 1, Handa made false representations, including that:
 - (a) Investor 1's Miner Edge investment would form part of Investor 1's immigration application, which Handa would submit to the Manitoba authorities. Handa never submitted any immigration application for Investor 1 and in response to Investor 1's follow up inquiries, falsely represented that the application would soon be, or had been, submitted;
 - (b) Miner Edge was in the process of finalizing two mining locations, in Manitoba and Quebec, and had negotiated power supply with Quebec Hydro. These statements were false;
 - (c) Investor 1 would receive either interest payments or Miner Edge shares. Investor 1 received neither interest payments nor shares;
 - (d) Handa would provide Investor 1 with a memorandum of understanding governing his investment. Handa never provided Investor 1 with any such document; and
 - (e) Investor 1's investment would be spent on Miner Edge business, including legal fees and costs associated with promoting Miner Edge. In reality, Handa misappropriated most of Investor 1's funds for personal gain.
20. Investor 1 conveyed information he received from Handa about Miner Edge to a friend, Investor 2. Investor 2 gave Investor 1 approximately \$1,300 to be paid to Handa as

Investor 2's Miner Edge investment. On June 27, 2018, on Handa's instruction, Investor 1 wired Investor 2's funds into Kritika Handa's personal bank account.

21. In procuring these funds, Handa—through information he conveyed to Investor 1—represented to Investor 2 that: (i) MET would be delivered to Investor 2's cryptocurrency wallet; and (ii) Miner Edge would use investor proceeds to establish and operate cryptocurrency mining facilities and distribute profits to investors. These representations were false and Handa diverted Investor 2's funds to Kritika Handa for her personal benefit.
22. Investor 3 was an immigration client of Handa's. Between May 18, 2018 and October 25, 2018 Investor 3 wired a total of approximately \$50,900 into an Ontario bank account solely controlled by Handa. Handa represented to Investor 3 that Handa would invest these funds into a Canadian business on Investor 3's behalf and instructed Investor 3 to identify these funds as Miner Edge-related on the wire transfer records.
23. Contrary to his representations, Handa did not invest Investor 3's funds in Miner Edge or any other business. Rather, he misappropriated those funds for his personal benefit.

Handa misled Staff

24. Handa misled Staff by making an array of false claims during his interviews and by concealing documents regarding the existence of Investors 1, 2, and 3 and their payments to Handa-related bank accounts.
25. Handa was interviewed under affirmation by Staff on May 16, 2019 and November 14, 2019. During these examinations, Handa misled Staff by claiming that:
 - (a) there were no sales of MET in exchange for fiat currency;
 - (c) there was a blanket prohibition on MET purchases by U.S. or Canadian investors;
 - (d) Investor 1 was a co-founder of Miner Edge and a co-equal of Handa in establishing Miner Edge and making business decisions;

- (e) Handa had no email communication at all with Investor 1 and no email communication with Investor 1 regarding Miner Edge;
 - (f) the transfers of funds from Investor 3 to Handa had nothing to do with Miner Edge;
 - (g) Handa did not mix his immigration consulting business with Miner Edge;
 - (h) Miner Edge had no relationship, financial or otherwise, with Telemall;
 - (i) no banking was done on behalf of Miner Edge;
 - (j) Handa had a personal cryptocurrency wallet containing Ethereum which he used to pay for Miner Edge marketing activities;
 - (k) by March 2019 the Miner Edge wallet had been blocked, making it impossible for anyone to invest in Miner Edge with BTC or ETH;
 - (l) an email was sent to Miner Edge investors informing them that Miner Edge was doing nothing because the market was down; and
 - (m) investors' funds would be returned to them if the Miner Edge project did not develop.
26. Handa also concealed important information and documentation from Staff. Through a section 13 summons issued on April 22, 2019, Handa was compelled to provide information and documentation regarding any accounts used by Miner Edge to send and receive payments as well as records of payments received by Miner Edge or its principals. Despite this, Handa did not produce any of the bank account documentation and other records in his custody relating to Investor 1's Investor 2's and Investor 3's payments to Handa.
27. Similarly, during his May 16, 2019 section 13 interview, Handa undertook to provide all emails he sent or received regarding, among other matters, any payments to Miner Edge in fiat currency and any actual or potential investment in Miner Edge. However, he failed

to produce any of the numerous emails he sent and received concerning Investor 1's and Investor 2's purported Miner Edge investments.

Handa disclosed that he was to be examined by Staff and interfered with Investor 1

28. On October 2, 2019, Handa contacted Investor 1 by telephone. He told Investor 1 he was being investigated by the Commission and was scheduled to meet with Staff. At that time, a section 13 examination of Handa was scheduled. Handa also asked Investor 1 to tell him what Investor 1 had told or given to Staff and instructed Investor 1 not to provide any information or material to Staff or answer Staff's telephone calls.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

29. Staff alleges that Miner Edge Inc., Miner Edge Corp. and Handa:

- (a) as described in paragraphs 9-15 above, as well as paragraphs 16-23 above in relation to Handa, 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;
- (b) as described in paragraphs 9-15 above, as well as paragraphs 16-23 above in relation to Handa, made untrue statements about matters that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading relationship and/or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act;
- (c) engaged in, and held themselves out as engaging in, the business of trading in securities without being registered to do so and without an applicable exemption from the registration requirement contrary to subsection 25(1) of the Act;

- (d) engaged in distributions of securities without filing a preliminary prospectus or prospectus and without an applicable exemption from the prospectus requirement contrary to section 53 of the Act; and
- (e) through the conduct described in subparagraphs (a) through (d) above, acted contrary to the public interest.

30. Staff alleges that Handa also:

- (a) authorized, permitted or acquiesced in the non-compliance of the Act by Miner Edge as described in paragraph 29(a) through (d) above contrary to section 129.2 of the Act;
- (b) misled Staff by:
 - i. making 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; and
 - ii. failing to produce documents compelled under section 13 and documents he undertook to provide during his section 13 compelled interview contrary to section 13 of the Act;
- (c) disclosed the name of a person sought to be examined under section 13 contrary to section 16 of the Act; and
- (d) through the conduct described in subparagraphs (a) through (c) above, and by interfering with Investor 1, acted contrary to the public interest.

31. Staff reserves the right to amend these allegations and to make such further and other allegations as Staff may advise and the Commission may permit.

D. ORDERS SOUGHT

32. Staff requests that the Commission make the following orders:

- (a) As against Miner Edge Inc. and Miner Edge Corp.:

- i. that it cease trading in any securities or derivatives permanently or for such period as is specified by the Commission, 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 Commission, 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 Commission, 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 Commission, 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 to the Commission 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 Commission investigation and the hearing, pursuant to section 127.1 of the Act; and
- ix. such other order as the Commission considers appropriate in the public interest.

(b) As against Rakesh Handa:

- i. that he cease trading in any securities or derivatives permanently or for such period as is specified by the Commission, 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 Commission, 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 Commission, 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 Commission, 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 Commission, 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 Commission, 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 to the Commission 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 Commission investigation and the hearing, pursuant to section 127.1 of the Act; and
- xiii. such other order as the Commission considers appropriate in the public interest.

DATED this 16th day of December 2019.

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