

8 July 2016

By email only: drop@cointelegraph.com

PRIVATE AND CONFIDENTIAL

Cyril Gilson
Chief Editor
Coin Telegraph

Carter-Ruck

URGENT
NOT FOR PUBLICATION

Dear Sirs

Our clients: OneCoin Limited and Dr Ruja Ignatova

We act for OneCoin Limited, including its subsidiaries and all legal entities over which it has control, and its founder Dr Ruja Ignatova.

We are instructed by our clients in relation to an article available on the *Coin Telegraph* website (at www.cointelegraph.com/news/one-coin-much-scam-onecoin-exposed-as-global-mlm-ponzi-scheme). The article is entitled, "*One Coin, Much Scam: OneCoin Exposed as Global MLM Ponzi Scheme*" ('the Article'). The Article is available for view globally, including within the jurisdiction of England and Wales.

Our clients reserve the right to formulate more precisely the meanings contained in the Article, but it is nevertheless clear that the Article contains numerous false and defamatory allegations about our clients. We address the most pernicious of these (and reserve the right to add to them if needs be in due course).

False and defamatory allegations within the Article

- i. The Article alleges in the headline that OneCoin is a "*Global MLM Ponzi Scheme*" and subsequently within the text of the Article that "*OneCoin...is suspected to be a pyramid scheme*".

This allegation is false and seriously defamatory. OneCoin is neither a "*Ponzi Scheme*" nor a "*pyramid scheme*". OneCoin's business model is a form of legitimate and lawful network marketing, which is completely different from a 'Ponzi' or 'pyramid' scheme:

- a. OneCoin sells genuine products of genuine value, such as the OneCoin cryptocurrency and the OneTablet mobile computing device, and provides real services in the form of its educational and financial training packages like OneAcademy's e-learning suite. Over two millions people have bought products and services from our clients. 'Ponzi' and 'pyramid' schemes are characterised by an absence of a genuine underlying product or service.
- b. OneLife Network's terms and conditions bind all members who wish to trade as OneLife representatives ('Independent Marketing Associates'). The terms are available here: www.onelife.eu/en/terms-and-conditions. IMAs are contractually obliged to follow the ethical rules in the terms, including:

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"Advise their clients honestly and sincerely, clarifying any misunderstandings about goods, the business opportunity, or other statements made during consulting discussions."

"When contacting a client, the IMA shall inform the client about all aspects of the product (such as purpose, characteristics, or application) and also, if requested, concerning the potential for further sales."

"Information provided about the goods must be comprehensive and truthful."

"An IMA may not make any claims, promises or other indications about potential speculative changes in exchange rates."

"The client should not be led to purchase the products through dubious and/or misleading promises nor by promising special benefits when these are linked to uncertain future outcomes."

"IMA may not make any comments with respect to their compensation or the potential remuneration of other IMA. Furthermore, an IMA may not guarantee payments or otherwise raise expectations."

"An IMA may not claim that the ONE LIFE NETWORK Global Compensation Plan or goods have been endorsed, approved, or supported by any government agency."

Failure to follow these ethical rules can lead to an IMA's relationship with OneCoin being terminated. OneLife Network takes all reasonable steps within its power to ensure that IMAs abide by these rules. In your article, you do not point to any evidence of OneLife Network's IMAs conducting themselves inconsistently with these rules.

- c. There is no obligation on OneLife Network members to recruit and there is no mandated buy-in requirement. These features, which are characteristic of Ponzi and pyramid schemes, are entirely absent from OneLife Network's business model. Some members of the OneLife Network indeed choose not to recruit at all. Rather, OneLife Network's business model is based on an orthodox direct-sales concept, whereby members can, if they wish to, earn income by referring and selling educational packages about cryptocurrency and financial management to non-members. Commissions and bonus are paid to these members in direct relation to their success, in the same way that it is in the case of many other well-established mainstream companies which operate a direct-sales model, such as Thermomix, Amway and Herbalife. The system and structure of commission paid by our clients to sales people, e.g. through OneCoin and the OneLife Network IMA scheme, is clearly and transparently set out on OneLife's websites (see www.onelife.eu/en/global-compensation-plan). Furthermore, a OneCoin user may 'mine' or generate more OneCoin without choosing to be a sales-person.
- d. A further crucial difference between the OneLife Network and a pyramid or Ponzi scheme is the way money is handled. As money is earned by members, it is not paid to fulfil overdue financial commitments. 'New' money does not satisfy 'old' debts, but rather, the OneLife Network's bonus and commissions plan allows members to profit at every level and at any time.

Your allegation that our clients are "scam operations" is, for the same reasons, wholly unfounded, and you do not set out the "evidence supplied to Coin Telegraph" which supposedly supports the allegation.

Contrary to false impression conveyed by the Article, OneCoin is in fact a well-resourced global company with a presence in over 200 countries and on six continents. The company's main operational and administrative office is in Sofia, Bulgaria, and has recently been moved into brand new office space. There is also an operations centre in Hong Kong. Unlike the operators of other cryptocurrencies, who deliberately conduct their activities in a clandestine manner, our clients have embraced publicity and public scrutiny.

ii. *"A history of bad acting"*

Dr Ignatova does indeed have a Ph.D. in Law from the University of Konstanz, a Masters degree in Law from the University of Oxford (M.Jur), and Masters Degree in Law from the University of Konstanz. Prior to founding OneCoin, she was an associate partner at McKinsey & Company and led one of the largest asset management funds in Bulgaria, CSIF. Your allegation in this section of the Article that she has misrepresented her academic qualifications and professional experience is highly defamatory and seriously resented.

Meanwhile, we point out that no individual by the name of Sebastian Greenwood or Nigel Allan is a director of OneCoin. Accordingly, the defamatory imputations directed at OneCoin based on the supposed status of these individuals as directors of OneCoin are, again, unfounded.

iii. Allegations that our clients use public and charitable events to *"con consumers into investing money"*.

This is another false and highly defamatory allegation. In fact, One World Foundation ("OWF") was founded by our clients to help disadvantaged children globally, through the provision of grants for education and other forms of social support. The charity is registered in Bulgaria with the Ministry of Justice (Registration number: 20150326001/26.03.2015) and certified as a non-profit organisation set up for charitable purposes.

The OWF's website (www.oneworldfoundation.eu/en/) contains a substantial amount of information on the OWF's activities. Since the Article was first published, considerably more information about the OWF's activities has been published on the website. The OWF 2015 yearbook is available to download at www.oneworldfoundation.eu/en/aboutus/annualreports. The annual report clearly sets out some of the OWF's many projects around the world, for instance: providing safe routes to school in Vietnam; supporting institutions in Russia and the CIS which assist disabled children; covering the cost of rent for an orphanage in China; and numerous projects in Bulgaria. External news outlets have also reported on the OWF's charitable activities, such as the donation made to the American University in Bulgaria in April 2016 (see www.aubg.edu/news/one-world-foundation-makes-a-10382-donation-to-aubg-997).

Malicious falsehood

It appears that many of the allegations in the Article (including the ones listed above) have been published with reckless disregard to the truth, given that the untruths are so egregious and that you have made no effort at all to contact our clients to ascertain the true position, and/or with the dominant motive of harming our clients financially. In these circumstances, our clients also have sound claims against you for malicious falsehood as well as for libel.

Breaches of the Data Protection Act 1998

The Article contains personal data of which Dr Ignatova is the data subject for the purposes of the Data Protection Act 1998, specifically personal data relating to her academic qualifications and her professional life. As such, CoinTelegraph and its staff, in so far as they have compiled, and are storing and processing those data, are data controllers under s.1 of the Act, and as such are subject to the statutory duty imposed by s.4(4) of the Act.

In their capacity as data controllers, they have failed to comply with this duty in respect of Dr Ignatova's personal data. In particular, her personal data have not been processed fairly or lawfully in accordance with the First Data Protection Principle, none of the conditions for processing set out in Schedule 2 to the Act has been met, and the Fourth Data Protection Principle, which requires that your record of her personal data

be accurate, has not been complied with. In the latter connection, we specifically have in mind your insinuation that Dr Ignatova does not possess the academic qualifications and professional experience that she claims to have.

In the premises, we hereby put you on notice on our client's behalf under s.10 of the Data Protection Act 1998:

- (a) that the processing of our client's personal data by publishing as part of the Article on the Coin Telegraph website is causing her substantial, unwarranted damage and distress, and that any further processing of her data by continuing to publish it on your website is likely to continue to cause her substantial, unwarranted damage and distress; and
- (b) that you should cease processing these data within 48 hours of the time of receipt of this letter by email. We consider this to be a reasonable period under the circumstances. We expect you to cease this processing by removing the Article as a whole from the internet (see further below).

If this s.10 notice is not complied with voluntarily, we reserve our client's right to apply to the court under s.10(4) to compel your compliance.

Next steps

For the reasons set out above, our clients have good claims against you for libel, malicious falsehood and, in Dr Ignatova's case, for breach of the Data Protection Act 1998. The Article has caused serious harm to our clients' reputations, including, in the case of our corporate client, the likelihood of serious financial loss. This reputational damage has been compounded, as was entirely foreseeable, by the republication of your allegations elsewhere online. Our client Dr Ignatova has also been caused serious embarrassment and distress.

Our clients' current instructions are to initiate proceedings against you in the English court for damages and injunctive relief. Nevertheless, before we take this step, we wish to give you an opportunity to provide our clients with the relief to which they are entitled voluntarily. The relief they seek is as follows:

- (i) the removal of the Article from the Coin Telegraph website, and the deletion of all cached copies of the same, within 48 hours of the time of receipt of this letter by email;
- (ii) an undertaking not to reinstate the Article on the website and not to republish in any form the allegations that are objected to above; and
- (iii) your agreement to publish on the website, in terms to be agreed in advance with us, a statement retracting and apologising for having published these allegations.

If you remove the Article from the website within 48 hours, and agree within 7 days of the date of this letter to provide our clients with the relief described in paragraphs (ii) and (iii) above, our clients will forgo their entitlement to damages. If not, they intend to pursue a claim for damages against you in addition to any other relief that they may need. Beyond this, all their rights are reserved. We look forward to hearing from you. At all events, please acknowledge safe receipt of this letter.

Yours faithfully

Carter-Ruck

CC

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