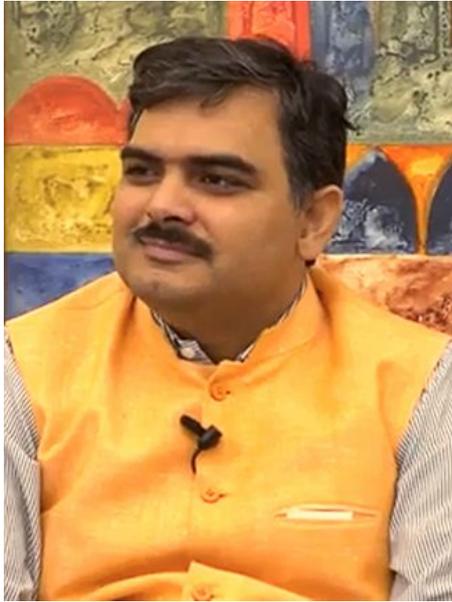


Aquaoin, A Supposed “Blockchain Solution” For India’s Water Crisis, Is A Dubious Cryptocurrency Scheme With Links To Bitcoin Scams

By ARIA THAKER | 5 June 2018



Aquaoin’s team members Subharansh Rai (left) and Abhishek Bhandari (right) have links to fraudulent or dubious investment schemes, including those run by the bitcoin entrepreneur Amit Bhardwaj.

On 13 May, Asian News International carried a [report](#) that deemed Aquaoin, a recently founded company, the “block chain solution for India’s water woes.” Subharansh Rai, Aquaoin’s media advisor, was cited as claiming that the company consists of “a group of entrepreneurs in India who have come up with a block-chain based technology ‘Water2All’ (W2A) that can recycle waste water and make it safe for human consumption.” But in reality, Rai told me, the blockchain technology would only be used to verify the Aquaoin-brand authenticity of the bottles. The proposed machine for purifying water has little, if anything, to do with blockchain, and the company refused to provide any precise details on how it would manufacture these machines. Based on this supposed solution to India’s water crisis, Aquaoin has been promoting an upcoming “crowd sale” of its cryptocurrency from 9 to 15 June—but the fact that several team members of the company have past links to questionable cryptocurrency schemes raises concerns about this crowd-funding campaign.

Innovation through blockchain—the underlying technical structure of cryptocurrencies, including the first one ever, bitcoin—has been especially in vogue lately, with the technology being applied to solve problems in healthcare, insurance and finance, among other sectors. Blockchain allows users to store data in a secure digital record that is shared across a network of computers and continuously aggregated, which typically makes it impossible for any part of that data to be altered. But the blockchain-oriented aspect of Aquaoin’s plans has nothing to do with its promised silver bullet—the supposed “state-of-the-art” water-recycling machines.

Aquaoin seems to use vagueness and secrecy to its advantage. The company’s proposals are available on its website in a whitepaper—a document that functions as a pitch to potential investors—which explains its plans on “generating revenue to commission a Research and Development (R&D) infrastructure” to create the water-recycling machine. But there is no evidence revealed in the whitepaper, on Aquaoin’s [website](#), or during my conversations with three of its members, to indicate that the company has conducted any substantial work on its project. Moreover, at least two of Aquaoin’s team members have links to fraudulent or dubious investment schemes, including those run by the bitcoin entrepreneur Amit Bhardwaj. It goes to show that despite recent steps that India has taken to punish and curb fraud with cryptocurrencies—such as Bhardwaj’s arrest, and the Reserve Bank of India’s imposition of restrictive regulations to banking transactions involving cryptocurrencies—crypto-related scams still pose risks to Indian investors.

Aquaoin is in the process of launching an initial coin offering, or ICO: a crowd-funding method where participants make investments using cryptocurrencies. Ethereum is a cryptocurrency as well as a computing platform on which anyone can release a cryptocurrency token—a unit of value that companies issue to investors in ICOs, similar to the first sale of shares of a company during its initial public offer. To purchase AQN—the token that Aquaoin is issuing, which is released on the ethereum platform—investors must pay in either bitcoin or ethereum. According to a [roadmap on the company’s website](#), the upcoming crowd sale will be the third stage of its ICO, following the website launch on 22 April, and a “presale” conducted in the first week of May. It proposes to begin the distribution of its “supplies to India and countries of Southeast Asia” in September–December 2019.

John David, the chief operating officer of Aquaoin, who is based in Malaysia, told me he was the founder and chief executive officer of two consultancy companies, Asia Blockchain Solutions and Cryptotech and Consultancy Limited, in which he helps educate and advise people about cryptocurrency. “The public may not be able to understand what to look for in an ICO,” he said. “This is where our services come in.” When I asked him how to identify scams, he mentioned plagiarism in whitepapers as an important indicator: “When we do a study, we even look at whether they copy the whitepaper from any other whitepaper.”

He claimed that Aquaoin's whitepaper had undergone "a stringent screening by all the advisory," but a cursory search of the text of Aquaoin's whitepaper reveals that it is heavily plagiarised. It lifts substantial passages—on occasions, series of paragraphs—about India's water crisis from several sources, including the [Financial Express](#), the [Indo-Asian News Service](#), [SmartInvestor.in](#), [Euromonitor International](#) and the [Times of India](#).

Aquaoin's website lists the names and designations of ten members of the company, and an examination of this list, too, raises significant cause for concern. Not one of the ten members listed on Aquaoin's website is a scientist or an expert in water-related issues. When I pressed Rai to tell me how much research had been done, he said "35, 40 percent"—but when I asked him to name the individual scientists and technologists behind the technological breakthroughs they were claiming, he said, "No no no, we cannot say." He added that Aquaoin would release more information about its technology after the crowd sale. John David, confirming this, said, "If we let known this information much earlier, it is easy for even other competitors or other projects to compete or copy what we are doing." It is unclear how releasing the names of individual scientists would jeopardise Aquaoin's product.

The composition of Aquaoin's advisory board is the primary concern. The media advisor Rai, for instance, has worked with Bhardwaj—whose fraudulent activities through the company Gainbitcoin I wrote about in the March 2017 [cover story](#) for *The Caravan*. This April, Indian authorities [arrested Bhardwaj](#) while he was absconding in Thailand. Most reports about Bhardwaj have pegged the total value of his scam at Rs 2,000 crore, but some go much higher; the [Pune Mirror noted](#) that investigators looking into Bhardwaj's case had said he could have committed fraud worth Rs 35,000 crore. John David told me that Bhardwaj was not involved with Aquaoin. He said, "If those such people are involved, I think personally I may not want to be in this project."

Rai was a promoter for Amit Bhardwaj's MCAP, a fraudulent ICO that I [reported on in August 2017](#) for *The Caravan*. To advertise the ICO, Bhardwaj wrote an e-book called *Cryptocurrency for Beginners*, for which he was able to get full-page ads published on the front pages of several national Indian newspapers. Almost a year ago, Rai posted a photograph of one of these ads from his LinkedIn account, writing an accompanying message saying that anyone looking to seek more information about MCAP should send him a message. In November 2017, the value of MCAP tokens [crashed](#), leaving its investors holding crypto-assets worth almost nothing.

Photographs posted to Rai's Facebook page in September 2017 show him and Bhardwaj sitting across from one another in an office in the Burj Khalifa—the tallest building in the world, located in Dubai, where Bhardwaj was living. According to an April 2018 report on the technology-news website [Factor Daily](#), the Pune cyber-crime department investigating Bhardwaj's case believes that he had bought office space in the skyscraper. In conversation, Rai insisted that the members listed on the Aquaoin website were only "service providers" of the company, while the founders remained behind the scenes. "Some two, three founders are there," he said, though he refused to disclose their identities. One of them, he said, was a "very big man from the Dubai, Abu Dhabi" area.

In October 2017, Rai started his own cryptocurrency exchange—Ethxpay, registered by the ministry of corporate affairs as Etherex Infotech Private Limited. Of the 18 reviews on the Ethxpay Facebook page, six are one-star reviews that claim the exchange is a "fake" or "scam." One of these reviewers is Shah Nawaz Khan, a student at Aligarh Muslim University. Khan told me that he made an Ethxpay account in January, initially investing only a small amount of ethereum in order to gauge the site's trustworthiness. Ethxpay's site had allowed him to exchange his ethereum for other cryptocurrencies, he said, but "the problem started when I made a withdrawal request." After it became clear his requests were not going through, he complained to Subharansh Rai and Ethxpay's support staff, but the issue was not resolved. Rai stopped answering his calls, Khan said, and his Ethxpay account was blocked. "They are running a fake exchange to scam people," Khan said. (He also showed me screenshots he had taken from his Ethxpay account in February.)

When I asked Rai about circumstances under which Ethxpay might prohibit a user from withdrawing and cancel their account, he said there could be "N-number of reasons" for the exchange doing so. Perhaps, he said, a user's Know Your Customer documents were not complete, or the company detected multiple accounts being created from the same IP address. He added, "I don't think anyone can satisfy 100 percent of people."

Abhishek Bhandari, who is listed on Aquaoin's website as its research-and-marketing advisor, was a director in Power Hashing—another company that I reported on for the cover story, which ran a questionable cryptocurrency investment scheme similar to Bhardwaj's. When I met him in 2017, he described Power Hashing as a cryptocurrency consultancy and education service. When I later followed up with him after seeing major similarities between Gainbitcoin and Power Hashing's business propositions, Bhandari did not respond to my messages. In the year since, [numerous accounts and analyses](#) have been posted online declaring Power Hashing to be a Ponzi scam, just like Gainbitcoin. There is no mention of Power Hashing anywhere on Bhandari's LinkedIn page, which is directly linked to the Aquaoin website. In early June, when I asked Bhandari what happened to Power Hashing, he said, "Yeah it did not go well." He claimed that he and his team had ended operations around a year ago.

Aquaoin's policy advisor, Rakesh Shukla, has been an assistant director for the Associated Chambers of Commerce of India, or ASSOCHAM, which has previously held extremely bullish conferences on cryptocurrency, sponsored by Gainbitcoin and Power Hashing. In March last year, *The Caravan* published my [report on one such conference](#), which prominently featured speakers from both companies. ASSOCHAM's leadership has since taken a much more circumspect view on cryptocurrency—in December last year, its [secretary general stated](#) that, because cryptocurrency was so unregulated, ICOs should be banned in order to prevent frauds. The next month, however, Rakesh Shukla helped organise an [ASSOCHAM conference on cryptocurrency](#), of which Ethxpay was a sponsor, and Subharansh Rai a speaker. Shukla did not respond to requests for an interview.

When I asked John David about his team members' previous association with dubious cryptocurrency schemes, he told me he had a "personal relationship" with Rai, and that he was "not so sure about the rest of them, with whatever programme they were with before." He said, "I know Subharansh for quite some time, and I do know that he has been involved in certain kind of, what to say, schemes." But he added, "I think we also have to look into the timeline of when these things happened."

In early April this year, the RBI [announced strict regulations to cryptocurrency](#), forbidding banks from providing services to any person or company dealing with digital currencies. Rai told me these regulations would not affect Aquaoin at all, because the company was registered in Singapore. "You don't transact anything into INR, you don't have any government processes, certifications you need." Once their water-recycling machines came to market, he said—"then you go for any certifications, and you treat yourself as an FMCG"—fast-moving consumer goods—"industry, not a crypto industry."

But Arvind Ravindranath, a lawyer with the Technology Media and Telecom team at Nishith Desai Associates—India's premier law firm for cryptocurrency-related matters—said otherwise. He told me that individuals who purchased AQN tokens by using Indian rupees after the introduction of these regulations "run the risk of having their accounts blocked" by their banks, as did individuals who were working for the company in India. Ravindranath emphasised that the regulations only empowered banks to enforce them, but could not lead to any other civil or criminal liability against individuals. Though Rai claimed that Aquaoin would evade any consequence from the RBI regulations, he also told me that they had reduced Ethxpay's marketing push to almost "zero." "We cannot do anything," he said. "We do not have options to take bank transfers these days."

John David rued the RBI's move; "Because of the government's uncertainties in this area, a lot of the innovation is actually moving out from India," he said. "I would say this is a real waste." Referring to his consultancy services, he said, "I think this is what we need in India—a lot of forums, a lot of public trainings to help people understand not to get involved in scams, but to get involved in some genuine projects."

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