



## **Press Release**

**19.11.2024**

Directorate of Enforcement (ED), Hqrs. Office has arrested 02 Chinese Nationals namely Xiao Ya Mao and Wu Yuanlun on 13.11.2024 from Tiruchirappalli, Tamil Nadu under the provisions of the Prevention of Money Laundering Act (PMLA), 2002 in a case booked against digital loan Apps operated by Chinese Nationals who were indulged in disbursing short term instant loans through various mobile applications and were charging exploitative rate of interest from general public. The Hon'ble Principal Sessions Judge, Chennai remanded them to ED custody for 03 days. Further, on 18.11.2024, Hon'ble Principal Sessions Judge, Chennai has remanded them to Judicial Custody till 29.11.2024.

ED had initiated investigation on the basis of FIRs registered by various police authorities under various sections of IPC, 1860, Information Technology Act, 2002 and Foreigners Act, 1946 against entities/ persons indulged in digital lending activities on the basis of complaints filed by number of borrowers alleging that they have been threatened and abused to repay the loan amount besides charging exorbitant rate of interest and processing fee. The complainants downloaded mobile applications in their phones and applied for micro loans ranging from Rs.5,000/- to Rs.10,000/-; wherein, they had to share their personal information, KYC documents, photo, bank account details along with access to their contact list, photos, videos etc. After taking loan from these Apps and in case of failure to repay the same, they were forced to take fresh loans from other Apps to repay the previous one and thus, they fell into this trap.

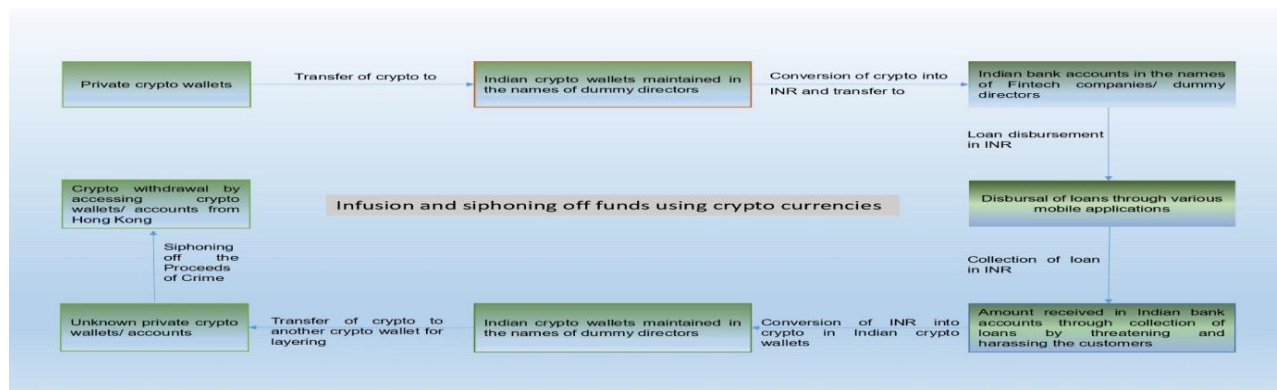
ED investigation revealed that some Chinese Nationals had incorporated the company M/s Toucolor Technologies Private Limited and M/s Truekindle Technology Private Limited in 2020. They had also made 02 employees of the company as dummy directors by forcing them to sign the documents; however, entire business operations were being run by Chinese Nationals. The company was providing online short term instant loans through mobile Apps.

Large number of desperate people in need of money opted for instant short term loans. At the time of downloading of such Apps, borrowers were required to grant access to their personal data such as photos, videos, contact list etc. available in their phones. At the time of disbursement of loan, approximately 20 to 30% of the sanctioned amount was deducted upfront in the name of processing fees and other charges. The tenure of loan was approximately 7 to 15 days and interest rate charged was exploitative.

Immediately after completion of tenure of loan and in the event of non-payment of loan before due date by the borrowers, their personal data collected at the time of downloading of such application was mis-used to harass and threaten the borrowers in order to extort money from them. Borrowers, their relatives and friends were called and abused in filthy languages by using the data of contacts collected at the time of downloading of mobile applications. Groups were created on WhatsApp by accessing the contact details of the borrowers, their photos were posted in such groups which were taken initially by accessing their personal data and defamatory comments were made about the borrowers. Photos of

borrowers were morphed with indecent/ obscene pictures and they were blackmailed, saying that such morphed pictures would be posted on social media platform and thus, they were pressurized for repayment of their loan amounts. Borrowers were also suggested to repay the existing loans by taking fresh loans from other Apps; thus, making them fall into debt traps. Thus, the lenders resorted to cheat the borrowers and extorted money from them. The company had disbursed loans of **Rs. 49.2 Crore** and collected/recovered the same by harassing and threatening the borrowers and extorting money from them.

ED investigation further revealed that Cryptocurrency wallets/ accounts were created by these Chinese Nationals on online platform WazirX by using identities of Indian dummy directors. Funds amounting to Rs. 3.54 Crore were brought through Cryptocurrencies into these wallets during the period from August, 2020 to December, 2020 which were later withdrawn in the Indian bank accounts in INR. These funds were subsequently utilized for disbursement of short term online loans. Thereafter, the loan amount collected from borrowers amounting to **Rs.5.02 Crore** which got accumulated into Indian bank accounts in INR were deposited into Cryptocurrency wallets/ accounts. This amount was further converted into Cryptocurrency and these Cryptocurrencies were subsequently withdrawn through various Cryptocurrency wallets outside the country. Further, verification of IP logs revealed that these Crypto wallets were accessed from Hong Kong. Thus, Proceeds of Crime were siphoned off outside India. This is depicted in the following flowchart:-



Earlier, ED had conducted searches at multiple places in Delhi NCR, Chandigarh, Haryana, Punjab and Gujarat and 96 bank accounts containing total balance of Rs.19.43 Crore were frozen.

Further investigation is under progress.