

The OneCoin Scheme : An Islāmic Perspective

Recently I was invited to a private presentation on OneCoin (<https://www.onecoin.eu/>). During this presentation something in my heart told that there was something not right about this OneCoin scheme. What I found particularly, disturbing was that OneCoin was also being promoted from an Islāmic perspective on the juristic principle of *maslaha* (public good) and that it does not involve *ribā* as opposed to fiat currency. The reality is, that it is the complete opposite, the whole OneCoin setup is for the benefit of a very few at the top, those who join the OneCoin scheme early and make a timely exit, and the OneCoin contract does involve a form of *ribā*. Yes, fiat currency is based on *ribā* but we are stuck in it, but we do have an option of whether or not to get involved in the OneCoin scheme. Since the presentation I have spent a lot of time researching in to OneCoin.

It is important to realize that this article deals with the OneCoin scheme, i.e. the permissibility of the OneCoin contract, recruitment in to the OneCoin scheme and the OneCoin Compensation Plan. This article does not discuss the pro and cons of the OneCoin concept nor its permissibility as a cryptocurrency (digital currency) nor cryptocurrencies in general.

Allāh (SWT) has not endowed us all with the same amount of knowledge, intellectual ability, wisdom or understanding of our religion, therefore, it is important we seek knowledge from appropriate scholars and share this knowledge with others. "Whoever guides (another) to a good deed will get a reward similar to the one who performs it."¹ Much of what is in this article is based on what Islāmic scholars have said about the OneCoin scheme itself as well as other similar schemes.

One may ask, why have I expended all this time and effort to do so this research? The answer, is quite simple, when a wrong is being committed within the community, it is not enough just to abstain from it, it becomes necessary for a Muslim to admonish others and denounce such wrong doings if one is in a position to do so.

Background to OneCoin Ltd. and the OneCoin Scheme

A company called OneCoin Ltd. which originated in 2014 in Bulgaria and is registered in Gibraltar is promoting a cryptocurrency (digital currency) called OneCoin with the following promotional headings on their [website](#): "OneCoin provides a once in a lifetime opportunity," "a revolutionary business concept that will bring financial security to those individuals who have the foresight to seize the moment," "an unlimited revenue generating program." "The sooner you join the faster you will MAKE IT HAPPEN." "Make sure to live the life you always dreamed of and get started today."

This sort of promotional hype should ring alarm bells, warning the reader to stay away from such products but the desire to get rich quick is so strong that many are lured in to the dream of getting rich relatively quickly.

The OneCoin website leaves out a lot of details about its operation and who exactly its directors are. There is also ambiguity as to what is being sold and by whom. OneCoin Ltd. describes itself as "software and technology corporation that sells high-quality products and services such as training and continuing education courses, cloud services, other digital and material goods and services."

Although the OneCoin Company appears to be promoting OneCoin cryptocurrency it is not possible to buy these so called OneCoins directly and neither can OneCoin be found where all the cryptocurrencies are listed <http://coinmarketcap.com/all/views/all/>. Anybody who wishes to "invest" in OneCoin must buy a package ranging from 10 Euros to 27500 Euros or more. When you buy one of these packages you are actually buying an educational package (OneAcademy Advanced Learning System) on their website, but with each package you get free Onetokens which at a later stage can be used to mine (exchange) for OneCoins. The educational packages is largely a compilation of already available literature on how to make money, it certainly is not worth the price of the packages which run in to thousands of Euros. In reality what is being sold is a dream to get rich quick. In Islām it is not permissible to sell something which contains deception.

By buying a OneCoin package you enter in to a contract with OneCoin Ltd. as an independent marketing associate (IMA) who is an independent and autonomous entrepreneur and you become a member of the OneCoin network. The price of the OneCoin package increases with time to encourage people to buy in to the scheme early and promoting the notion of guaranteed huge gains within a relatively short period of time by linking OneCoin concept to the success of BitCoin. IMAs can be very persuasive in their sales technique in an effort to recruit new people in to the OneCoin scheme. One promotion reads, "At the moment the most profitable training package is a Combo of three packages. It will split six times, normally every 3 months. The Combo package can grow up to 16 million Euros in two years time. The Combo package is available only till 8th of February 2016! So it's time to Act Now!"

It should be noted that OneCoin has no affiliation with BitCoin. OneCoin is not traded on any known exchange, only members of OneCoin network can buy/ sell OneCoins between themselves and OneCoin is not accepted as payment anywhere in the world. OneCoin may become a cryptocurrency some time in the future but at the moment it is nothing, you cannot buy anything with it.

The OneCoin Contract

Let's examine the OneCoin Company contract with a new recruit who buys a OneCoin package. The new recruit is referred to as an independent marketing associate (IMA) in the actual contract. As stated above buying a OneCoin package consists of an educational package together with free Onetokens which can be used to mine (exchange) OneCoins. The IMA becomes an independent and autonomous entrepreneur and can start recruiting new members for which he/ she is rewarded via the OneCoin Compensation Plan.

The terms and conditions on the OneCoin website state: "The IMA acknowledges and agrees that the COMPANY reserves the unequivocal right to change or modify the COMPANY'S Compensation Plan."

At the bottom of the terms and conditions on the OneCoin website it states: "The company does not warrant that product descriptions or other content is accurate, complete, reliable, current, or error-free."

This contract is a kind of *gharar* (ambiguous transaction) that is forbidden in Islām, as well as an element of deception giving the impression that the buyer is buying OneCoins, a cryptocurrency, while in reality he/ she is buying an educational package with free Onetokens which may be exchanged for OneCoins in the future. The number of OneCoins the buyer will get in exchange for his Onetokens is unknown.

The Recruitment Process for OneCoin

Having bought a OneCoin package the independent marketing associate (IMA) recruits new people in to the OneCoin scheme to earn bonuses via the OneCoin Compensation Plan. The OneCoin scheme is a complex and sophisticated set-up which takes multi-level marketing to a new level but the basic principle is the same, the money of new investors is used to pay the earlier ones.

Some of these IMAs during their recruiting activity use presentation slides given to them by OneCoin Ltd. They talk mainly about investing in cryptocurrencies, the huge success of BitCoin and huge potential gains for OneCoin. Some show pictures of gold coins, a treasure chest full of gold coins and US dollars ([Introducing OneCoin the new bitcoin](#)). However, in reality they are not selling OneCoins or any other cryptocurrency they are selling an educational program, this is a form of deception. The presentation makes a cursory reference to the educational package (OneAcademy Advanced Learning Systems), simply because no one is going to fork out thousands of Euros for an educational package much of which has been copied from other sources.

The Reality of Buying in to the OneCoin Scheme

1. The recruiter (IMA) is in reality selling an educational package produced by OneCoin Ltd. which will provide you with information and training about dealing in digital currencies (cryptocurrencies), financial markets etc..
2. Together with this educational package you will receive free Onetokens. The number of free token you get is dependent on the size of the educational package you buy. The lowest priced package is the Starter package which costs 110 Euros and all the way up to the Infinity package which costs 27500 Euros. The Tycoon Trader package is the most popular, it costs 5500 Euros.
3. You will be able to use your Onetokens to mine (exchange) for OneCoins. The number of Onetokens needed to mine a single OneCoin will increase over time.
4. **IF** OneCoin takes off and increases in value, like BitCoin did, then those you have OneCoins could become very rich. At the moment OneCoin is not traded on any known exchange and not accepted as payment anywhere in the world. The total number of OneCoins will be limited to 2.1 billion.
5. While waiting to see if OneCoin takes off or not you can start making money right now by recruiting others in to the OneCoin scheme. The more people you recruit the more money you will make via the OneCoin Compensation Plan.
6. Even if OneCoin as a cryptocurrency is a complete failure you will have made a lot of money by recruiting others in the OneCoin scheme providing you join early enough, the ones who join near the end gain nothing.

The OneCoin Compensation Plan

The OneCoin Compensation Plan is binary in structure. The IMA is rewarded for recruiting new people in to the OneCoin scheme, building a network team and sales volume of his/ her network team. The details of the Compensation Plan are difficult to understand, on top of which in its terms and conditions OneCoin Ltd. states, "The Company reserves the right to, at any given time, change the OneCoin Compensation Plan."

Such a condition is invalid giving benefit to one party in the contract without any benefit of exchange to the other transacting party. This is considered to be a form of *ribā*.

The recruitment model and Compensation Plan are very much like a pyramid scheme. In the West pyramid schemes are illegal but multi-level marketing is not. OneCoin Ltd. is on the observation list of many authorities including Bulgaria, Finland, Sweden, Norway and Latvia. On 30 September 2015 in Bulgaria, FSC (Financial Supervision Commission) issued a warning of potential risks in new cryptocurrencies, giving OneCoin as an example. After the warning OneCoin Ltd. ceased all activity in Bulgaria and started to use banks in foreign countries to handle wire transfers from its investors. In March, 2016, The Direct Selling Association in Norway warned against OneCoin Ltd., comparing it to a

pyramid scheme. (References can be found at <https://en.wikipedia.org/wiki/OneCoin>). Interestingly enough OneCoin is not being marketed in the USA, the richest economy in the world where both BitCoin and cryptocurrencies are legal, perhaps it is because OneCoin would fall foul of SEC regulations concerning offering of unregistered securities.

Pyramid Scheme, Multi-Level Marketing and Pyramid Scheme Multi-Level Marketing

The obvious question is, “Is the OneCoin scheme a pyramid scheme or multi-level marketing (MLM)?” Legal multi-level marketing involves being recruited in order to sell a product or a service which has an inherent value. The IMA (or recruiter) can make a profit from sales of the product or service directly to the consumer without necessarily having to recruit others. In legal multi-level marketing commission is earned by selling an actual product or service not merely for recruiting new members.

A pyramid scheme MLM often involves selling a product which has no market value, the product is not something tangible. The purport sale of such a product is to provide a cover for the pyramid scheme. In a pyramid MLM it is necessary to recruit new members in to the scheme in order to make a profit and to keep the scheme alive.

In the OneCoin scheme the only way for anyone to buy (or sell) the OneCoin product is by joining the OneCoin scheme and that is the key in trying to understand what kind of operation the OneCoin scheme is. The reason for not selling the Onetokens is because they have no value outside of the OneCoin scheme, that is why they have to be given as free with an educational package. The OneCoin product cannot be sold to the public, recruitment is necessary to sell the product, making it more like a pyramid scheme rather than MLM. However, since the Onetokens can be exchanged for OneCoins, which may be worth something in the future, the OneCoin scheme is not a classical pyramid scheme.

Conclusion

In this day and age one of the most difficult things to do is to make a *halāl* living (i.e. earnings). One of our fundamental beliefs is that our *rizq* is written before we are born, although we have the freedom to determine as to how we earn it, in a *halāl* manner or a *harām* manner.

It is so important to try and make our earnings as *halāl* as possible, our kids will be raised on these earnings. Earnings acquired by illegal means cannot be inherited, charity and Hajj are not accepted from earnings which are not acquired by legal means. The Prophet (SAWS) said if a person buys a cloth for ten dirhams and one of them is tainted (earned by unlawful means) his prayers will not be accepted as long as he wears the cloth².

With regards to the OneCoin scheme there are a number of issues from an Islāmic perspective which may it impermissible for Muslims to participate in the OneCoin scheme:

1. The recruiters (IMAs) give the notion of selling OneCoins whereas in reality they selling an educational package. The concept of OneCoin and cryptocurrencies is promoted while the sale is actually of an educational package. This is deception which is not permissible in transactions in Islām.
2. The OneCoin scheme (the contract and the compensation plan) is marred with uncertainty (*gharar*); despite lengthy presentations, the buyer is not quite sure what is going to get.
3. The scholars consider such contracts/ transactions as a form of *ribā*.

There will be some Muslims who are so heavily entrenched in the OneCoin scheme that they will argue tooth and nail until the Day of Judgement about its legitimacy. Our aim should not to win an argument but to seek the Truth. The Prophet (SAWS) said: “I guarantee a house in the outskirts of Paradise to the one who forsakes argument even when he is in the right³.”

If some Muslims wish to participate in OneCoin despite what the scholars have said then that is their decision for which they will be answerable on the Day of Judgement, as each one of us will have to give account of how we earned our wealth in this world. However, if a Muslim encourages others to join the OneCoin scheme then that is a very different matter with much more serious implications. May Allāh (SWT) Guide those who seek the Truth to the Truth.

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¹ Sahih Muslim hadith 1893 (33/195)

² Musnad Ahmad and Baihaqi transmitted it in Shu'ab al-imān

³ Abu Dawood 4800 (43/28)