



**IN THE GRAND COURT OF THE CAYMAN ISLANDS
CIVIL DIVISION**

CAUSE NO: 51 OF 2021

BETWEEN:

SAMIR BANDALI

PLAINTIFF

AND:

**(1) COINPAYMENTS INC.
(2) OLEKSANDR ALEKSANDROV**

DEFENDANTS

WRIT OF SUMMONS

TO: (1) CoinPayments Inc.
c/o Cayman Management Ltd
PO Box 1569
Governors Square, 2nd Floor
23 Lime Tree Bay Avenue
Grand Cayman KY1-1110
Cayman Islands

(2) Oleksandr Aleksandrov
c/o Cayman Management Ltd
PO Box 1569
Governors Square, 2nd Floor
23 Lime Tree Bay Avenue
Grand Cayman KY1-1110
Cayman Islands

THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiff in respect of the claim set out on the next pages.

Within 14 days (or, if leave is required to effect service out of the jurisdiction, such other period as is specified in the attached Acknowledgement of Service of Writ of Summons) after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office, PO Box 495G, George Town, Grand Cayman, the accompanying Acknowledgement of Service stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgement within the time stated, or if you return the Acknowledgement without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

This Writ of Summons and Statement of Claim was issued by KSG, attorneys for the Plaintiff, whose address for service is 4th Floor Harbour Centre, 42 North Church Street, PO Box 2255, Grand Cayman KY1-1107, Cayman Islands [MR/1730]

Issued this 12th day of March, 2021.

NOTE – This Writ may not be served later than 4 calendar months (or, if leave is required to effect service out of the jurisdiction, 6 months) beginning with the date of issue unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgement of Service are given with the accompanying form.

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DEFENDANTS

STATEMENT OF CLAIM

The Parties

1. The Plaintiff, Samir Bandali (**Mr Bandali**), is a Canadian citizen who has been legally resident in the Cayman Islands since August 2018.
2. The First Defendant, CoinPayments Inc. (**CP Cayman**), is an exempted company incorporated under the laws of the Cayman Islands on 2 May 2018, having its registered office at Cayman Management Ltd, PO Box 1569, Governors Square, 2nd Floor, 23 Lime Tree Bay Avenue, Grand Cayman KY1-1110, Cayman Islands. The directors of CP Cayman are Oleksandr Aleksandrov, the Second Defendant in this proceeding, and Jason Butcher (**Mr Butcher**).
3. The Second Defendant, Oleksandr Aleksandrov (**Mr Aleksandrov**), is an individual ordinarily resident in the Cayman Islands and the Chief Executive Officer of CP Cayman.
4. As a result of Mr Aleksandrov's position and control over CP Cayman, his knowledge of the facts and matters pleaded below is to be attributed to CP Cayman.

5. As a result of Mr Butcher's position and control over CP Cayman, his knowledge of the facts and matters pleaded below is to be attributed to CP Cayman.

Factual Background

A. CoinPayments Business and Platform

6. CP Cayman carries on business from the Cayman Islands offering worldwide cryptocurrency¹ merchant processing services and individual cryptocurrency accounts, also referred to as wallets. In this statement of claim, the business carried on by CP Cayman is referred to as **CoinPayments**.
7. Mr Aleksandrov acquired CoinPayments in or around August 2013, and incorporated Coinpayments Inc. (**CP Canada**) as a corporation under the federal laws of Canada on 27 August 2014. CP Canada carried on the CoinPayments business primarily from Vancouver, British Columbia until CP Cayman was incorporated in the Cayman Islands and became the primary operating entity for CoinPayments.

B. Employment with CoinPayments

8. In or about August 2016, Mr Bandali commenced employment with CP Canada. His role was to focus on client relationships and strategic partnerships.
9. CoinPayments redomiciled its business from Canada to the Cayman Islands in 2018. Upon its incorporation, CP Cayman became the main operating business.
10. Mr Bandali moved to the Cayman Islands in August 2018. His Cayman Islands employment and work permit was through Gateway Technologies SEZC Limited (**Gateway**), although at all relevant times he was performing work and services for the benefit of CP Cayman and at the direction and under the supervision of Mr Aleksandrov and other officers of CP Cayman.

¹ In this Statement of Claim, the term **cryptocurrency** is used to refer to any digital asset commonly referred to as cryptocurrencies, cryptoassets, virtual assets, virtual tokens or similar terms.

This Writ of Summons and Statement of Claim was issued by KSG, attorneys for the Plaintiff, whose address for service is 4th Floor Harbour Centre, 42 North Church Street, PO Box 2255, Grand Cayman KY1-1107, Cayman Islands [MR/1730]

C. *Debt Settlement Agreement to Issue Equity to Mr Bandali*

11. In or around June 2020, CP Cayman and Mr Bandali entered into a written agreement for the conversion of certain debt into equity (the **Debt Settlement Agreement**) that was backdated to 30 May 2018. Under the Debt Settlement Agreement:
 - 11.1. CP Cayman acknowledged that it was indebted to Mr Bandali in the amount of CI\$9,145, which debt had been assumed by CP Cayman from CP Canada (the **Debt**);
 - 11.2. CP Cayman agreed to issue to Mr Bandali, and Mr Bandali agreed to accept, 351,725 class A common shares in the capital of CP Cayman (the **Shares**), at a deemed price of CI\$0.026 per share, as full and final payment of the Debt;
 - 11.3. Mr Bandali agreed to release and discharge CP Cayman and CP Canada, and their respective directors, officers and employees, from and against any and all claims, actions, obligations and damages whatsoever that he may have had against any of them;
 - 11.4. time was of the essence; and
 - 11.5. the Debt Settlement Agreement is to be governed by and construed in accordance with Cayman Islands law and both parties irrevocably attorned to the jurisdiction of the Cayman Islands courts with respect to any legal proceedings arising from the Debt Settlement Agreement.
12. Mr Aleksandrov executed the Debt Settlement Agreement on behalf of CP Cayman.
13. Despite the terms of the Debt Settlement Agreement, CP Cayman has never issued the Shares to Mr Bandali and, as set out below at paragraph 20.3, now refuses to do so.

D. CPS Coin Project and the CPS Allocation Contract

14. In 2018, CoinPayments launched a new cryptocurrency called CoinPayments Coin, abbreviated as **CPS**.
15. CP Cayman agreed to allocate and distribute 25,000,000 CPS to Mr Bandali as part of his compensation for work on the CPS project, which constituted a binding contract (the **CPS Allocation Contract**) between CP Cayman and Mr Bandali. Pursuant to the CPS Allocation Contract:
 - 15.1. on 30 June 2018, CP Cayman transferred 6,000,000 CPS into Mr Bandali's CoinPayments account (the **Account**); and
 - 15.2. on 8 July 2018, CP Cayman transferred 19,000,000 CPS into the Account.
16. Both transfers referred to in paragraph 15 above were made from a CoinPayments account at the direction of Mr Aleksandrov.

E. Theft of CPS from Account

17. In March 2019, the personal relationship between Mr Bandali and Mr Aleksandrov broke down.
18. On 26 March 2019, Mr Aleksandrov, using his administrator-level access to the CoinPayments platform, bypassed Mr Bandali's two-factor authentication to gain access to the Account. Mr Aleksandrov then caused a transfer to be made of 19,899,119.41862 CPS (the **19.9MM CPS**) from the Account to a CoinPayments account owned by CP Cayman and controlled at all relevant times by Mr Aleksandrov.
19. Mr Bandali did not authorize CP Cayman or Mr Aleksandrov to transfer the 19.9MM CPS, nor did CP Cayman or Mr Aleksandrov have authority to transfer the 19.9MM CPS. Mr Bandali did not receive any consideration for the transfer of the 19.9MM CPS.

20. On or around 5 April 2019, Mr Bandali and Mr Butcher met in person. At that meeting, Mr Butcher:
- 20.1. acknowledged that CP Cayman and Mr Aleksandrov had removed the 19.9MM CPS from the Account;
 - 20.2. stated that the 19.9MM CPS would not be returned to Mr Bandali; and
 - 20.3. stated that CP Cayman would not issue the Shares to Mr Bandali under the Debt Settlement Agreement.

F. Termination of Employment

21. On 1 May 2019, Gateway issued a letter to Mr Bandali purporting to terminate his employment with Gateway as of 31 May 2019 for cause. Gateway agreed to pay Mr Bandali two months' salary plus an additional US\$5,000 conditional on Mr Bandali accepting and agreeing to the terms of the letter, which would constitute full settlement of any claims that Mr Bandali may have against Gateway and its affiliates, including CP Cayman and Mr Aleksandrov.
22. Mr Bandali refused to sign the termination letter on the terms proposed and did not accept any payments from Gateway beyond his regular monthly salary for May 2019.

G. Termination of Account

23. On or before 12 July 2019, CP Cayman disabled Mr Bandali's access to the Account and/or terminated the Account, such that Mr Bandali could not log-in to the Account or access the cryptocurrency that remained to the credit of the Account. CP Cayman refused to restore Mr Bandali's access to the Account, or transfer the cryptocurrency in the Account as at 12 July 2019 to a separate wallet controlled by Mr Bandali, unless Mr Bandali agreed to the terms of the Gateway termination set out above at paragraph 21.

24. CP Cayman's disabling and termination of the Account, its refusal to restore Mr Bandali's access to the Account, and its refusal to transfer the cryptocurrency in the Account as at 12 July 2019 to a separate wallet controlled by Mr Bandali was not permitted or justified under any agreement, law or otherwise.
25. As of the date of this Statement of Claim:
 - 25.1. CP Cayman has not returned the 19.9MM CPS to Mr Bandali or paid him any consideration for the transfer of the 19.9MM CPS;
 - 25.2. CP Cayman has not restored Mr Bandali's access to the Account, returned the cryptocurrency in the Account as at 12 July 2019 to Mr Bandali, or paid him any consideration for the cryptocurrency in the Account as at 12 July 2019; and
 - 25.3. CP Cayman has not issued the Shares to Mr Bandali.

Unjust Enrichment

26. The transfer of the 19.9MM CPS to an account controlled by CP Cayman, and CP Cayman's closure of the Account and refusal to return any cryptocurrency held in the Account as at 12 July 2019 to Mr Bandali, constitute an enrichment for CP Cayman at the expense of Mr Bandali.
27. It would be unjust for CP Cayman to retain that enrichment because Mr Bandali did not receive any consideration for the enrichment.
28. In the circumstances, CP Cayman is liable to Mr Bandali in restitution and/or damages in unjust enrichment in an amount equal to:
 - 28.1. the value of the 19.9MM CPS as at 26 March 2019 or such other date as may be determined by the Court; and
 - 28.2. the value of the cryptocurrency remaining in the Account as at 12 July 2019 or such other date as may be determined by the Court.

Breach of the Debt Settlement Agreement

29. As set out in paragraph 11 above, the Debt Settlement Agreement constituted a binding contract between Mr Bandali and CP Cayman.
30. As set out in paragraphs 13, 20.3 and 25.3 above, CP Cayman has failed and/or refused to issue to Mr Bandali the Shares pursuant to section 2.1 of the Debt Settlement Agreement. Under the Debt Settlement Agreement, CP Cayman had an obligation to issue the Shares within a reasonable period of time. In the circumstances, 30 days from the date of the Debt Settlement Agreement constitutes a reasonable period of time.
31. CP Cayman's failure and/or refusal to issue the Shares constitutes a breach of the Debt Settlement Agreement for which Mr Bandali has sustained losses equal to the value of the Shares, as at 30 June 2018, or such other date as may be determined by the Court, less the Debt that would be deemed fully satisfied upon issue of the Shares under the terms of the Debt Settlement Agreement.

Breach of the CPS Allocation Contract

32. Further, or in the alternative, CP Cayman is liable to Mr Bandali in damages for breach of the CPS Allocation Contract as follows:
 - 32.1. As set out in paragraph 15 above, the CPS Allocation Contract constituted a binding contract between Mr Bandali and CP Cayman.
 - 32.2. As set out in paragraphs 18 to 20 and 23 above, CP Cayman has unilaterally and without any justification or right, purported to retract, clawback or otherwise deprive Mr Bandali of the consideration that had already been paid to him and to which he was entitled under the CPS Allocation Contract. These actions by CP Cayman constitute a breach of the CPS Allocation Contract for which Mr Bandali has sustained losses equal to:

32.2.1. the value of the 19.9MM CPS as at 26 March 2019 or such other date as may be determined by the Court; and

32.2.2. the value of the CPS remaining in the Account as at 12 July 2019 or such other date as may be determined by the Court.

Unlawful Interference

33. As set out in paragraphs 18, 19 and 23 above, Mr Aleksandrov caused CP Cayman to wrongfully remove the 19.9MM CPS from the Account, wrongfully terminate the Account and wrongfully refuse to return the cryptocurrency remaining in the Account as at 12 July 2019, which has caused Mr Bandali to sustain the losses set out in paragraph 28 and 32.2 above.

34. By reason of the matters pleaded above, it is to be inferred that Mr Aleksandrov intended to cause Mr Bandali loss by taking those actions.

35. As a director of CP Cayman at the relevant times, Mr Aleksandrov owed CP Cayman a fiduciary duty to act in good faith in the best interests of CP Cayman. By causing CP Cayman to take the actions described at paragraph 33 above, Mr Aleksandrov breached that duty by exposing CP Cayman to liability in restitution and/or damages. Beyond the strict legal consequences, Mr Aleksandrov's actions exposed CP Cayman to significant reputational damage, particularly where the CEO used his position to bypass a user's two-factor authentication to remove cryptocurrency from the user's account without notice and in circumstances strongly suggesting that the actions were motivated by malice and a desire to injure the user.

36. In the circumstances, Mr Aleksandrov is liable to Mr Bandali in damages for unlawful interference or causing loss by unlawful means in an amount equal to:

36.1. the value of the 19.9MM CPS as at 26 March 2019 or such other date as may be determined by the Court; and

- 36.2. the value of the cryptocurrency remaining in the Account as at 12 July 2019 or such other date as may be determined by the Court.

Intentional Interference with Contractual Relations

37. Further, or in the alternative, Mr Aleksandrov is liable to Mr Bandali in damages for intentional interference with the contractual relations between Mr Bandali and CP Cayman as follows:

- 37.1. Mr Aleksandrov at all relevant times had knowledge of the CPS Allocation Contract.

- 37.2. Mr Aleksandrov, acting on behalf of CP Cayman, caused CP Cayman to take the actions constituting the breach of the CPS Allocation Contract as set out at paragraph 32 above.

- 37.3. By reason of the matters pleaded above, it is to be inferred that Mr Aleksandrov intended to cause CP Cayman to breach the CPS Allocation Contract.

- 37.4. As a director of CP Cayman at the relevant times, Mr Aleksandrov owed CP Cayman a fiduciary duty to act in good faith in the best interests of CP Cayman. By causing CP Cayman to breach the CPS Allocation Contract, Mr Aleksandrov breached that duty by exposing CP Cayman to liability in damages. Beyond the strict legal consequences, Mr Aleksandrov's actions exposed CP Cayman to significant reputational damage, particularly where an agreement for allocation of cryptocurrency to an employee was unlawfully clawed back in circumstances strongly suggesting that the actions were motivated by malice and a desire to injure the employee.

38. In the circumstances, Mr Aleksandrov is liable to Mr Bandali in damages for intentional interference with contractual relations in an amount equal to:

- 38.1. the value of the 19.9MM CPS as at 26 March 2019 or such other date as may be determined by the Court; and

- 38.2. the value of the CPS remaining in the Account as at 12 July 2019 or such other date as may be determined by the Court.

Unlawful Means Conspiracy

39. Further, or in the alternative, by reason of the facts and matters pleaded above:

- 39.1. There was an agreement or understanding between, at least, CP Cayman and Mr Aleksandrov to

39.1.1. wrongfully remove the 19.9MM CPS from the Account;

39.1.2. wrongfully refuse to return the 19.9MM to the Account or to the control of Mr Bandali;

39.1.3. wrongfully terminate the Account; and

39.1.4. wrongfully refuse to restore the cryptocurrency in the Account as at 12 July 2019 to Mr Bandali.

- 39.2. The agreement or understanding is to be inferred from the relationship between CP Cayman, Mr Aleksandrov and Mr Butcher, and the demonstrated coordination between at least those persons in carrying out the actions described in paragraph 39.1 above.

- 39.3. The means used by CP Cayman and Mr Aleksandrov to implement their agreement were unlawful in that they involved CP Cayman's breach of the CPS Allocation Contract and/or the unlawful removal of the 19.9MM CPS from the Account and/or the unlawful termination of the Account.

- 39.4. CP Cayman and Mr Aleksandrov intended to cause damage to Mr Bandali in that they intended to deprive Mr Bandali of the ownership, control and benefit of the cryptocurrency in the Account, including the 19.9MM CPS.

39.5. The conduct of CP Cayman and Mr Aleksandrov caused Mr Bandali to sustain losses as he has been deprived of the ownership, control and benefit of the 19.9MM CPS and the cryptocurrency in the Account as at 12 July 2019.

40. In the circumstances, CP Cayman and Mr Aleksandrov are liable to Mr Bandali in damages for unlawful means conspiracy in an amount equal to:

40.1. the value of the 19.9MM CPS as at 26 March 2019 or such other date as may be determined by the Court; and

40.2. the value of the cryptocurrency remaining in the Account as at 12 July 2019 or such other date as may be determined by the Court.

AND THE PLAINTIFF CLAIMS AS AGAINST THE DEFENDANTS:

- (1) Restitution and/or damages to be assessed;
- (2) Interest on any restitution or damages award pursuant to section 34(1) of the Judicature Act (2021 Revision) or on such other basis as the Court may direct;
- (3) Costs; and
- (4) Such further or other relief as counsel may advise or the Court thinks appropriate.

DATED this 12th day of March, 2021.



KSG
Attorneys for the Plaintiff

**DIRECTIONS FOR ACKNOWLEDGMENT OF SERVICE
OF WRIT OF SUMMONS**

1. The accompanying form of Acknowledgment of Service should be completed by an Attorney acting on behalf of the Defendant or by the Defendant if acting in person.

After completion it must be delivered or sent by post to the Law Courts, P.O. Box 495G, George Town, Grand Cayman.

2. A Defendant who states in his Acknowledgement of Service that he intends to contest the proceedings must also serve a defence on the Attorney for the Plaintiff (or on the Plaintiff if acting in person).

If a Statement of Claim is indorsed on the Writ (i.e., the words "Statement of Claim" appear on the top of page 3), the Defence must be served within 14 days after the time for acknowledging service of the Writ, unless in the meantime a summons for judgment is served on the Defendant.

If the Statement of Claim is not indorsed on the Writ, the Defence need not be served until 14 days after a Statement of Claim has been served on the Defendant.

If the Defendant fails to serve his defence within the appropriate time, the Plaintiff may enter judgment against him without further notice.

3. A Stay of Execution against the Defendant's goods may be applied for where the Defendant is unable to pay the money for which any judgment is entered. If a Defendant to an action for a debt or liquidated demand (i.e. a fixed sum) who does not intend to contest the proceedings states, in answer to Question 3 in the Acknowledgement of Service, that he intends to apply for a stay, execution will be stayed for 14 days after his Acknowledgment, but he must, within that time, issue a Summons for a stay of execution, supported by an affidavit of his means. The affidavit should state any offer which the Defendant desires to make for payment of the money by instalments or otherwise.

See over for notes for guidance

Please complete overleaf

Notes for Guidance

1. Each Defendant (if there are more than one) is required to complete an Acknowledgment of Service and return it to the Courts Office.
2. For the purpose of calculating the period of 14 days for acknowledging service, a writ served on the Defendant personally is treated as having been served on the day it was delivered to him.
3. Where the Defendant is sued in a name different from his own, the form must be completed by him with the addition in paragraph 1 of the words "sued as (the name stated on the Writ of Summons)".
4. Where the Defendant is a FIRM and an attorney is not instructed, the form must be completed by a PARTNER by name, with the addition in paragraph 1 of the description "Partner in the firm of (.....)" after his name.
5. Where the Defendant is sued as an individual TRADING IN A NAME OTHER THAN HIS OWN, the form must be completed by him with the addition in paragraph 1 of the description "trading as (.....)" after his name.
6. Where the Defendant is a LIMITED COMPANY the form must be completed by an Attorney or by someone authorised to act on behalf of the Company, but the Company can take no further step in the proceedings without an Attorney acting on its behalf.
7. Where the Defendant is a MINOR or a MENTAL PATIENT, the form must be completed by an Attorney acting for a guardian ad litem.
8. A Defendant acting in person may obtain help in completing the form at the Courts Office.

Attorney: where the Defendant is represented by an attorney, state the attorney's place of business in the Cayman Islands. A Defendant may not act by a foreign attorney.

Defendant in person: where the Defendant is acting in person, he must give his post office box number and the physical address of his residence or, if he does not reside in the Cayman Islands, he must give an address in Grand Cayman where communications for him should be sent. In the case of a limited company, "residence" means its registered or principal office.

Endorsement by plaintiff's Attorney (or by plaintiff if suing in person) of his name, address and reference, if any, in the box below.

KSG Attorneys at Law
4th Floor Harbour Centre
42 North Church Street
PO Box 2255
Grand Cayman KY1-1107
Cayman Islands

Endorsement by defendant's Attorney (or by defendant if suing in person) of his name, address and reference, if any, in the box below.

[Empty box for defendant's Attorney endorsement]