

Scenario 189

AXACT: FAKE DIPLOMAS MILL

On 17th May 2015; a report titled, "**Fake Diplomas, Real Cash: Pakistani Company Axact Reaps Millions**" by Declan Walsh appeared in '**New York Times**' un-folding Pakistan's local IT Company named **AXACT – a Pakistani software company**. It was alleged that AXACT earned millions of dollars from scams involving fake degrees of non-existent online universities and professional schools.

Axact was involved in issuing fake degrees at a massive, global scale and also launched an upcoming media group **BOL**, mainly a News TV Channel for which the media competitors had alleged that: "***the company is being supported by the Pakistani military or some organized criminal syndicate.***"

Axact created a number of fake websites in the names of well known professors, academic gurus and students who were in fact all paid actors. The "**university websites**" mainly routed their traffic through servers run by companies registered in Cyprus and Latvia, and employees used to plant fictitious reports about **Axact** universities on **CNN iReport**, a website for citizen journalism in America.

Although CNN stressed that it had not verified the reports, **Axact** used the CNN logo as a publicity tool on many of its sites.

The allegations against **Axact**, a self-professed leading IT firm, of running a global racket of diploma mills had re-opened the debate about fake academic credentials. The buyers, presumably, liked to use fake credentials for economic [employment and promotion] and social [like better wedding prospects] gains.

AXACT WENT FURIOUS AT NYT:

Axact never responded directly to the questions or allegations when the matter started simmering but instead accused domestic media rivals of colluding with the **New York Times** to plant a defamatory story in order to harm its business interests. In reaction to the NYT's article, **Axact** issued an official response on its website, terming the story baseless while clarifying that:

"Axact condemns this story as baseless, substandard, maligning, defamatory and based on false accusations and merely a figment of imagination published without taking the company's point of view. Axact will be pursuing strict legal action against the publications and those involved.

.....and that the local media groups Jang and Express were running a defamation campaign against Axact and BOL and that Declan Walsh [of NYT] had devised a one-sided story without taking any input from the company.

And that, in an exemplary display of poor journalistic skills & yellow journalism, the writer quoted references from several imaginary employees to corroborate accusations made out of thin air."

The irony was that Pakistan's highest investigation agency [FIA] was aware of the issue but had not launched an investigation on a flimsy excuse that **'it had not received a formal complaint'**.

Axact had also uploaded on its website a legal notice purported to be sent to **NYT** declaring the said story false but in the meantime **NYT** also published a separate post titled **"Tracking Axact's Websites"** which listed **'the sites for fictitious high schools and universities'** that **Axact** was running till that time. The **NYT** report said that:

"According to former insiders, company records and a detailed analysis of its websites, Axact's main business has been to take the centuries-old scam of selling fake academic degrees and turn it into an Internet-era scheme on a global scale.

The accounts by former employees are supported by internal company records and court documents reviewed by The New York Times."

In fact, many details came from the former employees of **Axact**, who identified roughly 50 sites, along with servers used by the company and

blocks of custom website coding it developed. When the newspaper explored about more details, more than 370 sites appeared linked with the **Axact's** fraudulent business running through tens of employees sitting in company's official premises.

Axact successfully tailored its websites to appeal its rogue customers in its principal markets, including the United States and oil-rich Persian Gulf countries.

In **Axact's** head office in Karachi, telephone sales agents worked in shifts around the clock; often they catered to customers who clearly knew that they were buying a shady instant degree for money but assuring them that their life experiences were enough to earn them a diploma. The **NYT report** held:

*"All the while, **Axact's** role as the owner of this fake education empire remained obscured by proxy Internet services, combative legal tactics and a chronic lack of regulation in Pakistan. **Customers think it's a university, but it's not - It's all about the money.**"*

The opening of NYT's report was:

"Seen from the Internet, it is a vast education empire: hundreds of universities and high schools, with elegant names and smiling professors at sun-dappled American campuses.

*Their websites, glossy and assured, offer online degrees in dozens of disciplines, like nursing and civil engineering. There are glowing endorsements on the **CNN iReport website**, enthusiastic video testimonials, and State Department authentication certificates bearing the signature of Secretary of State John Kerry.*

*..... we host one of the most renowned faculty in the world; boasts a woman introduced in one promotional video as the head of a law school; saying **Come be a part of Newford University to soar the sky of excellence.**"*

The fact remains that the news reports were fabricated; the professors were paid actors; the university campuses existed only as stock photos on computer servers - the degrees had no true accreditation; fake bodies and testimonials lent the schools enough trustworthiness.

That company named **Axact** operated from Karachi [Pakistan], employing over 2,000 people and called itself **Pakistan's largest software exporter** but its main business has been of selling fake academic degrees and turn it into an Internet-era scheme on a global scale.

In an interview in November 2013 about Pakistan's media sector, its Founder and Chief Executive, Shoaib Shaikh, described **Axact** as an **IT network services company**; with motto "**Winning and Caring**". CEO Shaikh claimed to donate 65 percent of **Axact's** revenues to charity, and in 2014 announced plans for a program to educate 10 million Pakistani children by 2019.

[CEO Shoaib Shaikh was born into a middle-class family, the son of a Sindh High Court lawyer who also served some years as the principal of the Islamia College. The middle sibling amongst five, Shaikh is the only son; aged 41 when caught a year before. CEO Shaikh engaged some of the best lawyers money could buy in Pakistan.]

Axact's CEO Shaikh portrayed himself in Pakistan as a self-made tycoon of sweeping ambition with a passion for charity. Growing up in a one-room house, he founded **Axact** in 1997 as a global software leader. Unusual for a software entrepreneur '**Shaikh does not habitually use email or a cell phone.**'

However, Shaikh's ambitions included a huge HQ building with space for 20,000 employees; as well as promising to educate 10 million children; then he vowed to pump billions of dollars into Pakistan's economy. But soon some employees, despite the good salaries and perks they enjoyed, became disillusioned by the true nature of **Axact's** business.

CEO Shaikh has also been working to become Pakistan's most influential media guru; he was building a broadcast studio and aggressively recruiting prominent journalists for **BOL**, a television and newspaper group scheduled to start that year of 2015; the new **BOL** team included stalwart anchors like Kamran Khan, Asima Shirazi, Iftikhar Ahmed and many more.

Social media added a further shine of legitimacy. LinkedIn contained profiles for purported faculty members of Axact universities, like **Christina Gardener**, described as a senior consultant at **Hillford University** and a former vice president at **Southwestern Energy**, a publicly listed company in Houston. **During verification, a SW Energy officer said the company had no record of an employee with that name.**

Axact's sales team — young and well-educated Pakistanis, fluent in English or Arabic, offered everything from high school diplomas for \$350, to doctoral degrees for \$4,000 and above.

*[Axact's selling techniques also involved impersonating American government officials who wheedle or bully customers into buying State Department authentication certificates **signed by Secretary Kerry**.*

*Such certificates, which helped a degree to be recognized abroad, could be lawfully purchased in the United States for less than \$100. But in Middle Eastern countries, **Axact** officials used to sell the same documents — mostly forged, others secured under false pretences — for thousands of dollars each. Payments were mostly funnelled through offshore firms.]*

One Saudi man spent over \$400,000 on fake degrees and associated certificates; NYT report revealed. One Egyptian paid \$12,000 in 2014 for a doctorate in engineering technology from **Nixon University** and a certificate signed by Mr Kerry; his professional background was in advertising. But he was certain the documents were real; while saying that: **"I really thought this was coming from America. It had so many foreigner stamps; it was so impressive."**

FACTS FROM AXACT'S VICTIMS:

In US, one federal prosecution in 2008 revealed that 350 federal employees, including officials at the departments of State and Justice, held qualifications from an Axact like diploma mill in Washington State.

[A customer was probably fed up with paying extra attestation / registration fee. The senior agent asked him to wait for a moment so they could bring Mr ABC from the Egyptian Embassy on a conference call to guide him further as to why that attestation was mandatory.

*Indeed, there was no one from Egyptian Embassy. Rather, it was one of the 4senior **Axact** agents who spoke like native Arabs. He sat beside the agent who was already on phone and pretended to be talking from the embassy. They ultimately got him to pay more*

for that attestation - This is one out of hundreds of calls each day.]

Daily '**Express Tribune**' dated **20th May 2015** is referred.

Axact's school websites were previously held being fraudulent, but could not be identified with ownership role. In 2013, for instance, Drew Johansen, a former Olympic swim coach, was identified as a graduate of **Axact's** bogus Rochville University. **NYT report** further held that:

*"In the Middle East, Axact has sold aeronautical degrees to airline employees and medical degrees to hospital workers. One nurse at a large hospital in Abu Dhabi, admitted to spending \$60,000 on an **Axact**-issued medical degree to secure promotion."*

In 2014; Mohan, a junior accountant at a construction firm in Abu Dhabi, paid \$3,300 for what he believed was going to be an 18-month online master's program in business administration at the **Axact-owned Grant Town University**... but no coursework.

Later, a phone caller who identified himself as an American Embassy official railed at Mohan for his lack of an English-language qualification, he agreed to pay \$7,500 to the **Global Institute of English Language Training Certification**, another **Axact's** website.

In a second call weeks later, the man pressed Mohan to buy a State Department authentication certificate signed by Mr Kerry; Mohan was charged \$7,500 more to his credit card.

Then in September a different man called Mohan, this time claiming to represent the UAE government. If he failed to legalize his degree locally, the man warned, he could face possible deportation. Panicking, Mohan agreed to pay \$18,000 in instalments to the **Axact**.

*[In October 2014, **Axact's** one member named Jamshaid quit **Axact** and moved to the UAE, taking with him internal records of 22 individual customer payments totalling over \$600,000. He contacted many customers, offering to use his knowledge of **Axact's** internal protocols to obtain refunds.*

*Several spurned his approach, seeing it as a fresh effort to defraud them. But a few, including Mohan, accepted his offer; after weeks of negotiations, **Axact** refunded Mohan \$31,300 at last.]*

Axact's diploma mill industry was nearly exposed in 2009 when an American woman in Michigan, went angry that her online high school diploma had proved useless and sued two Axact-owned websites, ***Belford High School and Belford University.***

The case was quickly joined by about 30,000 American claimants. Their lawyer, Thomas Howlett, found ***"hundreds of stories of people who have been genuinely tricked."*** But instead of **Axact**, one Salem Kureshi stepped forward as defendant; he was running the websites from his apartment.

Over three years of hearings, Kureshi's only appearance was in a video deposition from a dimly lit room in Karachi, during which he was barely identifiable. An associate who also testified by video, under the name John Smith [?] wore sunglasses even in dark. Later it transpired that his address in Karachi was also fake.

Kureshi's legal fees of over \$400,000 were paid to his American lawyers through cash transfers from different currency exchange offices in Dubai. In his testimony, Kureshi denied any links to **Axact**, even though mailboxes operated by the Belford Schools listed **Axact's** HQ as their associated link.

The lawsuit ended in 2012 when ***a federal judge ordered Kureshi and Belford to pay \$22.7 million in damages; nothing was paid by any.*** However, till appearance of NYT report in May 2015, Belford School was still open for business, using a slightly different website address.

Axact claimed to be the world's leading IT company as suggested by its slogan, most of its office floors in Karachi remained occupied with agents, who operated in the Middle East region luring Arab and international individuals with certified US degrees on the basis of their professional experiences.

These degrees ranged from Bachelor's, Master's and PhD; **Axact** even offered to prepare [fake] thesis for students, if they don't have enough time or skills. Agents were advised to use Bayt.com – the largest job search engine in Middle East OR LinkedIn as a source to find customers, who were in turn told / diverted to either of these organisations and forwarded their profile for consultations.

Axact agents used to tell customers the main reason why big corporations had not hired them was the absence of a degree that **Axact** would arrange for them while sitting at home. The script read like:

"You don't have to take classes or listen to online lectures, or take pains for admissions and other documented procedures. Just log on to our university website and our Senior Academic Officer will enrol you. It takes less than five minutes and you receive internationally certified / attested degree within a couple of months solely based on your professional experience."

Indeed, there was no criterion for professional experience of the applicant. You could even get a PhD degree with as minimum as one year of experience. It is all situational and manipulative. The only thing that mattered was paying the enrolment fee, and then continuing to pay until your accounts are squeezed dry.

When a customer paid the enrolment fee, he was in the trap; senior agents called him from time to time asking more and more money for attestations from embassies concerned, shipment charges, carrier fees and under many more heads.

As for the universities that offered degrees on the basis of professional experience, they all were virtual and had no physical address though they appeared to be located in the US. The punch line for all this business was **"a degree solely based on professional experience"**; an idea that dated back to the end of World War II, when many retired soldiers were jobless and the US government issued special provisions allowing soldiers to obtain academic degrees on basis of their experience.

Axact had, no doubt, regular software activities, mainly in website design and smart-phone applications. Another business unit, employing about 100 people, used to write term papers on demand for college students.

Axact used to earn \$4,000 a day as far back as 2006 which touched the heights of \$100K daily in mid 2015; the whole amounts used to be funnelled through companies registered in Dubai, Belize, British Virgin Islands and many other alike destinations.

Axact's legal threats once forced a major British paper, **The Mail on Sunday**, to withdraw an article from the Internet in 2006. Once it petitioned a court in America, bringing a lawsuit in 2007 against a company titled Student Network Resources, engaged in essay-writing business, and had called **Axact a 'scam site'**. That American company counter-sued and **was awarded \$700,000, but no damages had ever been paid.**

On 15th May 2015; when reporters for **'The Times'** contacted 12 **Axact**-run education websites, asking about their relationship to **Axact** and its

Karachi office, sales representatives variously claimed to be based in the United States, denied any connection to **Axact** or hung up immediately. One such phone attendant said:

"This is a university, my friend; I have no idea what you're talking about."

Two major allegations: firstly that **Axact**, apparently an IT company, was effectively a massive fraud, a fake-degree mill on a scale that the country, and the world, had not seen before. Secondly; **BOL network**, owned by **Axact**, was set to launch then, but later fatally compromised because of the allegations against its parent organisation.

There have long been rumours in IT and business circles about Axact's business model and quite how it was able to generate the massive amounts of cash that the company appeared to be making. No plausible explanations were offered by the company and it routinely dismissed the allegations as nothing more than rivals' jealousies. Clearly, that status quo was no long tenable.

Fake degrees set-ups are hardly a novelty in Pakistan, but then nothing had been seen before on such scale of the global fraud that **Axact** was doing. Nothing less than a thorough investigation by the state — already ordered by the federal government — was expected to conclusively resolve the issue.

FAKE DEGREES MENACE IN PAKISTAN:

Fake academic credentials are a serious challenge in Pakistan. Numerous legislators had been disqualified for filing fake credentials. A former Balochistan chief minister [PPP's Nawab Aslam Raisani 2008-13], when alerted to the issue, brazenly remarked that ***'fake or otherwise, a degree is simply a degree'***

During PPP's regime of 2008-13, scores of Pakistani lawmakers lost their seats for lying about their academic credentials. It became a growing scandal that added to the woes of the US-backed PPP leadership as it struggled with Islamist militancy and a weak economy.

The accusations against a handful of lawmakers had mushroomed into formal legal challenges against about 160 elected officials - more than 10

percent of the country's federal and provincial legislators; many had claimed fake degrees to meet Gen Musharraf era's requirement for holding seat in Senate or national or provincial assemblies.

The controversy had its roots in a 2002 law imposed by the said military ruler that required candidates for office hold a bachelors degree or equivalent [*in fact it was highly commendable positive clause*]. Gen Musharraf supposedly wanted to improve the calibre of lawmakers, but critics, mainly the feudal lords of Sindh and Southern Punjab opposed the General on various counts just to maintain the status-quo in Pakistan.

Ultimately, ***Pakistan's Supreme Court struck down the requirement in April 2008***, but not before Gen Musharraf allowed elections in February of that year; many candidates submitted fake degree papers to qualify for those races.

Many of the potentially fake degrees in Pakistan were claimed from Islamic seminaries, whose degrees were considered equivalent to Bachelors' in Pakistan. Other lawmakers, however, claimed to have earned Bachelors, PhDs or Masters Degrees from institutions whose existence was difficult to verify – in fact non-existent.

Even the ruling party PPP Chairman, Pakistani President Asif Ali Zardari, had claimed to hold a bachelors degree from a business school in London, but his party was unable to produce a certificate or establish what he studied and where. Zardari escaped that scandal because he was elected after the degree requirement was struck down by the SC.

The Supreme Court had then ordered the Elections Commission of Pakistan [ECP] to vet the credentials of nearly all about 1,100 federal and provincial lawmakers. The scandal had drawn some frustrated reactions from lawmakers besieged by an aggressive media.

In Pakistan, a country where political comebacks are common, it had taken way more than a kaffuffle over the veracity of degrees to keep legislators out for long. In earlier months of year 2010, National Assembly member [MNA] **Jamshed Dasti** had to resign after being unable to prove in court that he **held a masters degree in Islamic studies**. Media reports were there to explain that **the said MNA couldn't even name the first two chapters of the Holy Quran**.

[Referring to daily 'Dawn' dated 5th April 2014; the PIA had terminated around 300 employees, including pilots, engineers and air-hostesses, for having fake degrees during the earlier six months

till then; it was done so on the instructions of the Supreme Court of Pakistan – but even then pilferage was seen.

The human resource administration department of PIA had started the process of verification of credentials of around 16,000 employees six months ago. Over 30,000 degrees were dispatched to educational institutions for the verification.]

On 19th May 2015; a team of Pakistan's Federal Investigation Agency [FIA] entered **Axact's** Islamabad and Karachi offices simultaneously and took custody of manuals, records and computers as evidence in already ongoing investigation of global fake degrees scam. **Axact's** offices in both cities were sealed and that around 22 employees of the IT Company were taken into custody by the Islamabad investigating team. The FIA held that:

".....the investigation would not be limited to the contents of the Times article. We've issued a letter to them, and we're looking for details of their database, employees, what websites and equipment they're using."

No one was arrested or taken into custody at the Karachi office; however, the FIA officers swooped on **Axact's** Karachi HQ, seizing equipment and records and expelling employees from the building.

Till that moment, the US State Department, while reacting to allegations levelled in **NYT** article, had confirmed that **Axact** had made no agreement on document attestation with any academic institution claimed to be associated with. In Pakistan, the Federal Interior Minister Ch Nisar Ali had already ordered an inquiry into the article published in the NYT and the FIA had taken immediate cognisance of that massive and global scam.

The **NYT report** was also referred to the concerned House Committee of Pakistan's Senate by the Chairman Senate Raza Rabbani for investigation. The Opposition Leader in Senate, Aitzaz Ahsan, said that this was a serious matter because a Pakistani company had allegedly been issuing fake degrees – and defamed Pakistan.

Axact's Response: In a statement on its website, Axact did not directly respond to the allegations but instead accused domestic media rivals of colluding with the NYT to plant a slanderous story in order to harm its business interests. As stated in earlier pages, **Axact** uploaded a detailed legal notice sent to NYT. The company also sent a legal notice to local blogging website **Pak Tea House**, which caused a buzz on social media. NYT later ran a short report also on the Pak Tea House legal notice

titled, **"Axact, Fake Diploma Company, Threatens Pakistani Bloggers Who Laugh at Its Expense"**.

On 20th May 2015; the Islamabad High Court [IHC] passed an order to remove the names of five directors of **Axact** from the Exit Control List [ECL] declaring that it was a **Software Export Company;** the Interior Ministry only a day before had put the names of the officials on the ECL with clearly written reasons of their involvement in selling of bogus degrees of non-existing universities.

IHC Justice Athar Minallah, while hearing the case on that day directed the authorities to strike the names of company's CEO Shuaib Sheikh, Director Ayeshah Shuaib and others off the ECL.

The IHC judge didn't believe the NYT report and investigation AND didn't bother to ask for the affected persons OR wait for the FIA's progress report into their raids etc.

IHC's that decision was clearly indicating about the nepotism or pressure if not smelt of corrupt deal for that immediate order.

Whereas, on the same day of 20th May 2015; Ch Nisar, Pakistan's Interior Minister told the media:

"We have seized 42 company servers, and experts suggest it could take a month to conduct forensic auditing; foreign technicians may be sought from abroad if needed. It is hard to believe the [US] government remained unaware of Axact's activities.

The Federal Board of Revenue [FBR] and the Securities & Exchanges Commission of Pakistan [SEOP] had also been asked to provide all relevant information on the company to the investigating team; we'll ensure transparency in the probe."

Just a day after; senior journalists associated with **BOL** Network — the sister organisation of **Axact** — announced their resignations from the company because the explosive **NYT story** had raised questions about **Axact's** involvement in a fake degree scam. Every media person believed the said story but [astonishingly], the IHC Justice Athar Minallah didn't believe it – that's the state of affairs regarding JUSTICE in Pakistan. That's why it was CORRECTLY placed at no:192 in the list of 197 countries – see World Justice Forum Report.

Kamran Khan, the president, editor-in-chief and also a co-founder of BOL Group, was the first to announce his disassociation from **Axact** saying on twitter that:

*"@AaiKamrankhan: Charges against **Axact** far from proven in court but my conscience not letting me continue. I've decided to disassociate from **BOL** immediately. 3:26 PM - 23 May 2015"*

Azhar Abbas, the president and CEO of BOL News, also announced his resignation through Twitter, saying that he has resigned from BOL after speaking with his editors and staff; Abbas wished his team great success in future.

Senior Executive Vice President of BOL Network **Iftikhar Ahmed** and Executive vice president and senior anchorperson **Asma Shirazi** were also among the high-profile journalists who had resigned immediately. Iftikhar Ahmad said on twitter:

"I can not work for an organization whose basic workings conflict with my professional commitment. I've decided to disassociate myself from BOL; 4:31 PM - 23 May 2015"

Investigative journalist **Wajahat Saeed Khan** also announced his resignation from BOL Network; other senior journalists associated with it tendered their resignations in their first opportunity.

The **Axact** disaster mattered because of BOL. If it weren't for BOL, **Axact** would be just another dodgy business at worst and a template for the young and unscrupulous at best — uses the power of the internet to part a fool and his money in distant lands.

Axact became Axact because exactly everyone in the state structure who was supposed to do their job didn't do their job – in fact a tragedy of Pakistan.

But for some reason **Axact** decided to get into the business of media - the reason there was the most stunning media crises — an implosion that dwarfed Pakistan's well famed **Malik Riaz - Arsalan Iftikhar Scandal**, the bidding wars of the May 2013 election coverage and the Hamid Mir - ISI fiasco of 2014, possibly combined in the given scenario.

The **Axact** catastrophe coupled with **BOL** implosion, laid bare everything that's wrong with the Pakistani media — and some of the things wrong with

the state, too. **Why was it the NYT that had to break that story** – intelligentsia wondered. Why couldn't the Pakistani media report that Pakistani story to the Pakistani audience; a cogent question was in circulation for weeks and months.

Cyril Almeida opined in daily '**Dawn**' dated **24th May 2017**;

*"Imagine if Geo or Express or ARY or Dunya had lined up a bunch of ex-**Axact** employees and got them to confess on air. In detail. About the degrees and the websites and the sales agents and all the rest of it.*

BREAKING NEWS. Flashing red screen. Breathless newsreaders. High-profile anchors gravely intoning on air. The whole shebang. What would have happened?

If BOL had been on air, it would have launched a ferocious counter-campaign instantly. Lies. A conspiracy.... Here's the proof. They're a bunch of crooks."

Then BOL went dead — a brand too toxic and too damaged by association for anyone to go near. And in its death, BOL confirmed what was visible for a while: occupying a space that long ago lost touch with anything that had to do with journalism and propriety.

[... the media wars are really about a nexus of business, politics and influence peddling where no one really gives a toss about the public interest — and few care if that becomes more and more apparent —

*No matter the credibility, no matter the biases, no matter the scandals — folk will keep watching. They have to. They have no choice - **Cyril Almeida**]*

But the story of Axact — and the abortive story of BOL — was also a typical Pakistani story: poor regulation, weak institutions, and a declining state — Pakistan.

In case of **Axact**, the Pakistani media elite suddenly discovered an unlimited reservoir of moral outrage against the fake degrees. Ironically some of them had far serious and proven cases of corruption pending against them in state-files but here they were all aligned with the government under the old principal: Enemy of my enemy is my friend.

The media tycoons were successful in re-inventing the '*weapons of mass destruction*' - called fake degrees; typical American term '*diploma mills*' suddenly became country's biggest concern while half of Karachi was without drinking water.

'**Dunya News**' TV anchor Dr Moeed Pirzada held on his home page:

"We discover ourselves in love & hate! Axiact crisis has exposed the moral bankruptcy of Pakistani Media. It has shown us our true faces in the mirror."

Nature of this investigation and scope demanded that Pakistan's Customs Directorate get support from FIA or IB when the poor FBR just discovered that BOL's heavy equipment was not duty paid. How that equipment got the free-way through the Customs or Custom's Intelligence Units should have been a matter of concern for the government but in Pakistan who bothers – some political tycoon must be backing it.

Thus the 'Money laundering Racket' of **Axiact** behind all this manipulation and political hands patronising them were never told to the public. In the end all were found friends and stake holders; you scratch my back and I will do yours.

The fact remains that a media aligned with the government can be anything but it can never be the 'free media' not realizing that in that case the crisis was driving a wedge between the general public and media.

There were days when two English papers had 90% of their stories about **Axiact**; one day a leading English paper on its front page had 13 stories about **Axiact**; but the investigating agencies like FIA could not sort out truth out of the clues given therein.

[Axiact in its website claimed that it became a world – renowned brand in line with the vision of its owner Shoaib Shaikh. The company, established in 1997, had mega plans to expand operations in major Pakistani cities, aiming to create at least 100,000 new jobs and boost the country's IT exports to \$50 billion [?]. It also claimed:

- **Axiact** accounted for 65 percent of the country's total IT exports till fiscal year 2014-15.
- It employed more than 5,000 people – mostly young educated professionals – who enjoyed the best work environment,

salaries and perks compared to any other world class corporate institution.

- *The company, with an estimated worth of \$20 billion, had a global presence spread across six continents and 160 countries.*
- *Axact paid more than Rs:1.2 billion annually in direct and indirect taxes.*

In June 2013, **Axact's** founder announced plans to set up **BOL Media Group** with an aim to revolutionize the media industry. In a short span of 17 months, **Axact** built the biggest television infrastructure in Pakistan. The Group also planned to launch news, entertainment and sports channels, English and Urdu-language newspapers, FM radio service and magazines. It also planned to produce movies.

- *The 10-storey, purpose-built headquarters of the BOL Media Group in Karachi, equipped with the most modern technology, got completed in early 2015.*
- *BOL had got an indigenously-built news management system – the first in Pakistan.*
- *BOL attracted the best-available human resource, creating more than 2,200 jobs in the media industry.*

As per **Axact's** claims, all these plans and targets remained alive as the BOL Media Group prepared for a re-launch with a promise and target of '**better than before**'. But BOL's biggest asset remained its vision to build Pakistan's positive image and defeat the ghosts of negativity and sensationalism that had overwhelmed the local media industry.]

AXACT: CRIMINAL CASE IN FIA

On 27th May 2015; a First Information Report [FIR] was registered against seven individuals including **Axact** Director and CEO Shoab Shaikh as well as a UAE-based company; FIR [7/2015] was registered through Saeed Memon — the Assistant Director of FIA's Corporate Crime Circle on behalf of the state. The individuals named in the FIR were subsequently arrested and kept in FIA remand until 7th June 2015.

The FIR was registered under Pakistan Penal Code [PPC] and the accused were booked under sections 420, 468, 471, 472, 473, 474, 477-A, 109 and 34. Special laws were also invoked against the accused under Sections 36

and 37 of the Electronic Transaction Ordinance 2002 and Section 3/4 of the Anti-Money Laundering Act of 2010.

Apart from Shaikh, others accused were identified as M/S Axact FZLLC — a UAE company which held a major chunk of shares — and Waqas Atiq, Zeeshan Anwar, Zeeshan Ahmed, Haris Siddiqi, Farhan Kamal and Umair Hamid. ***Shaikh and his wife Ayesha Shoaib Shaikh held one share each in the company, while the UAE Company FZLLC held 599,998 shares*** as per information received from the SECP.

On 13th June 2015; the FIA Corporate Crime Circle in Karachi had sent the charge sheet against CEO Shaikh and his accomplices to the concerned court; he was charged on seven counts under the PPC and on one count each under the Electronic Crimes Ordinance 2002 and the Anti-Money Laundering Act 2010. Two weeks later, the FIA submitted a supplementary interim charge sheet which carried some additional charges.

On 9th July 2015; yet another interim charge sheet was submitted that charged Shaikh on one more count under the Anti-Money Laundering Act.

Later in **October 2015;** a third case under the same act was filed against him for using ***hundi & hawala*** networks for illegal transfer of money to and from Pakistan.

In Pakistan's chequered history of judiciary, it was a marvellous day; nine bail applications were rejected, and a precedent was set in using the Anti-Money Laundering Act of 2010 [AMLA] to freeze the assets of **Axact**.

[Axact's CEO Shaikh had requested the Sindh High Court to grant him protective bail against a 'potential arrest' in the said fake degrees probe by the FIA; however, his request was dismissed, as the bench did not find any merit in his application. FIA had urged that the company was involved in an illegal business which brought 'bad name to Pakistan'.]

On 22nd December 2015; two petitions against sealing **Axact** premises for the forensic examination of materials within, and an appeal to unfreeze the assets and bank accounts of **Axact** and the principal accused, were rejected by a two-judges bench of the Sindh High Court [SHC] that included the Chief Justice.

On 11th January 2016, the FIA's prosecutor named Jamil told the court that his team would be ready to file the final charge sheet and commence

trial within a month or so; but then **suddenly on 18th January, he disassociated himself from the proceedings.** In his resignation letter he gave no reasons, other than to say that:

".....circumstances have arisen that make it difficult for him to continue. My professional conduct would be affected if he were to continue with the case; I'm taking this step with disappointment".

What provoked his resignation?

A source in the FIA said that Jamil resigned for 'personal reasons' but his resignation letter pointed in another direction, in a cryptic statement where he said "...my professional conduct would be affected" by continuing with the prosecution. There was no mention of personal reasons. Later Prosecutor Jamil added that:

"We had arrived in a position to file the final challan; the team was able to pull it together in a short span of time. The forensic team of FIA did a fantastic job; it was a matter of pride for the country the way the forensic experts were able to dig this information out."

Prosecutor Jamil was building his case on the materials found on the servers of **Axact**. According to people who worked there, the company maintained a heavily monitored office environment, recording telephone calls, monitoring the movements of its employees and their interactions with each other, and so on. All of this material, stored on its servers and hard drives, was seized by the FIA and made part of the investigation.

- *Some of this material was played in court during one of the bail hearings, and proved pivotal in persuading the judge to deny bail. Four telephone calls were played over the court's audio system, calls that were placed from the offices of **Axact**, in which employees of the company could be clearly heard impersonating government officials of other countries.*
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- *The calls were made to people who had already purchased a fake degree that **Axact** was accused of trafficking in. The callers were heard pressuring, bullying and misleading the person on the other end into making additional payments to obtain a new certification for their degree, or risk being reported to the employer or their host country's authorities.*

Axact CEO Shoaib Shaikh, managers Viqas Atique, Zeeshan Anwar, Mohammad Sabir, Zeeshan Ahmed and 14 other officials were booked in May 2015 for allegedly preparing and selling fake degrees, diplomas and accreditation certificates of fictitious schools & universities through a fraudulent online system and illegally minting "**hundreds of millions of dollars**" and placing the same in off-shore companies.

On 3rd March 2016; the Federal Investigation Agency [FIA] filed charge-sheet in the case. The charges under which the accused were held stated that *'they systematically and continuously acted in an organised manner on multiple occasions'* to orchestrate a massive scam that, by some estimates obtained by investigators, had almost 200,000 victims.

Investigation files contained that **Axact's** fraud empire, already considered one of the biggest Internet scams on record, was bigger than initially imagined. Over the past decade, **Axact** took money from at least 215,000 people in 197 countries — 1/3rd of them from the United States. Sales agents wielded threats and false promises and impersonated government officials, **earning the company at least \$89 million in its final year of operation – and was on record.**

Fourteen **Axact** employees, including its CEO, were put on trial on charges of fraud, extortion and money laundering. Bank accounts in Pakistan and the United States were declared frozen. Investigators uncovered a tangled web of corporate entities — dozens of shell companies and associates, from Caribbean tax heavens to others in Delaware, Dubai and Singapore — used to funnel illicit earnings.

The **NYT** dated **10th April 2016** confirmed that the leading prosecutor [Mr Jamil] had quit with little explanation, hinting that **he had come under political pressure** to soft-pedal the case. A trial date for the case was not set till then but **several judges were side-lined or dropped out of the case.** **Axact's** jailed CEO, Shoaib Shaikh, had publicly boasted of his work for influential high-ups while urging that his powerful connections would work in his favour.

*"Initially, there was a lot of surprise that **Axact's** operations were being tackled so quickly, particularly given the view that it was being backed by the ISI **but later every one lost interest – even the concerned courts.**"*

During the police investigation, CEO Shaikh once instructed his subordinates to burn company documents and to destroy computer drives,

some of which were later cast into the sea, another executive testified to the police.

However, CEO Shaikh could not prevent the seizure of a vast trove of data, some recovered from computer disks as they were being deleted, that led investigators to conclude that **Axact's** main business was providing fake degrees to needy ones in the whole world.

The police found more than one million blank educational certificates and evidence of 300 fictitious educational websites, many with American-sounding names like Columbiana and Brooklyn Park, which sold fake degrees to hundreds of thousands of people around the world. Some knowingly bought effortless degrees to pad résumés or to help in immigration; but most were publicly embarrassed.

*[In March 2016; Myanmar's Finance and Planning Minister, U Kyaw Win, admitted that his doctorate had come from **Axact's** Brooklyn Park University; but later he felt ashamed to call himself a PhD – like Minister Rehman Malik in Pakistan.]*

Many other customers, investigators quickly realized, had fallen victim to an elaborate and aggressive fraud, going to Axact-run websites for a legitimate online education only to be intimidated into making ever larger payments. Hundreds of hours of taped phone conversations, extracted from **Axact** servers and cited by prosecutors, showed sales agents impersonating American lawyers or State Department officials in an effort to collect more money from customers, mostly in the Middle East.

In one recording of 2014, one Riaz Shaikh, a Pakistani living in Abu Dhabi, believed that one 'Mr Jacob' was calling from the legal office of a university in California but was in fact an **Axact** sales agent in Karachi. The police records divulged a very cruel situation:

*"Please, please, Mr Jacob, [said Riaz Shaikh] – I've already paid \$150,000 to **Axact**. I have sold all of my assets to pay this last amount. I am not eating well. I am not sleeping well."*

"Look, you're not paying that much, [the sales agent cajoled, before holding out a threat of possible police action] - just another \$10,000."

Axact executives took extraordinary measures to disguise their links to fraud. In a lawsuit in the United States, in which former customers of the

online Belford High School were seeking damages, **Axact** officials persuaded an attendant in the company's cafeteria to pose as the founder of the school, a police report said.

As indicated in earlier paragraphs; the said worker was Salem Kureshi, who conducted a webcam video deposition in 2011 for the American court. In it, he merely moved his lips while, off camera, an **Axact** official voiced a set of evasive answers for the American lawyers, Kureshi told the police.

After the police raid on **Axact** in mid May 2015, Kureshi added that executives paid him \$250 to go into hiding in his hometown, 700 miles from Karachi.

Referring to the '**Dawn**' dated **12th April 2016**; in Pakistan, the plight of **Axact**'s victims was largely overshadowed by the media uproar surrounding the BOL network, which had hired some of the country's most prominent journalists before it closed. With their salaries suddenly cut off, many employees took to the streets to protest, saying **Axact was the victim of a conspiracy by rival news organizations.**

CEO Shoaib Shaikh insisted that he earned his wealth through legitimate software exports. He also faced scrutiny from American investigators. In a letter to the Pakistani authorities in February [2016], the FBI had identified **Axact** as a **"diploma mill that operated a worldwide web of shell companies and associates."** Three of the main shell companies, registered in Delaware, were found to have been owned by Shaikh or his associates, the letter said.

Other company documents pointed to shell holdings in the British Virgin Islands, Cyprus, Dubai and Panama. In several instances, **Shaikh appeared to have used a pseudonym, Ryan Jones, to sign company documents.** He became a citizen of St. Kitts and Nevis, a small Caribbean island that sells passports to rich investors.

In the Belford case, lawyers obtained a court order freezing three American bank accounts containing \$675,000; Shaikh admitted ownership of some of those accounts.

His sister, Uzma Shaheen, living in Chicago, was called to testify; documents filed in court had shown that **Ms Shaheen transferred more than \$37 million from American bank accounts to abroad in recent years.**

Still, much of **Axact's** global network remained undisrupted; it used to control 32 other bank accounts — in the United States, Ireland, Dubai, St. Vincent and the Grenadines, Belize, and Singapore — estimated to contain millions of dollars, according to prosecution documents.

In Pakistan, the case was pushed into sand-grave; two judges rescued themselves without explanation; so had Zahid Jamil, an ambitious prosecutor who built much of the case against **Axact** but quit abruptly in February 2016, citing unspecified circumstances in above lines.

The **NYT** quoted one Nighat Dad of the Digital Rights Foundation, an Internet advocacy group in Pakistan saying; the **Axact** case showed that good laws also needed political will if they were to succeed.

"If the evidence is so clear, and there is so much of it, then why is the case against Axact taking so long - something must be happening behind closed doors."

On 15th August 2016; the Sindh High Court [SHC] granted bail to **Axact's** CEO Shoaib Shaikh and 13 others in this fake degrees case; the weather had turned in favour of **Axact; hats off to Pakistan's judiciary** – known for its gimmicks through lethargy, favouritism & corruption.

Justice Iqbal Kalhoro approved the bail plea against a surety bond of Rs:500,000 each after hearing arguments from both parties. Lawyer for **Axact**, Shaukat Hayat, argued during the hearing that the FIA and the prosecution had been employing delaying tactics, pointing out that the accused had not been indicted thus far – despite a lapse of 15 months since arrest.

Hayat claimed there had been no headway in the case to legitimise his stance that the accused were entitled for bail, especially since his clients had no criminal record or allegations of involvement in terrorism – that is normally considered a drop scene in Pakistani courts.

AXACT: CHARGED & PRISONED IN NY:

On 19th December 2016; Umair Hamid, an executive at **Axact**, was arrested in America; he was produced in a federal court in Fort Mitchell, Kentucky, the following day. The press release issued at the time by the US Attorney's Office, Southern District of New York, said:

*"**Axact** promoted and claimed to have an affiliation with approximately 350 fictitious high schools and universities, which **Axact** advertised online to consumers as genuine schools.*

*During certain time periods since 2014, **Axact** received approximately 5,000 phone calls per day from individuals seeking to purchase **Axact** products or enrol in educational institutions supposedly affiliated with Axact.*

When consumers asked where the schools were located, sales representatives were instructed to give fictitious addresses."

US authorities had accused Hamid of directing websites of so-called 'schools' to falsely represent that consumers who 'enrolled' with these schools by paying tuition fees would receive online instruction and coursework, and to sell false academic 'accreditations' in exchange for additional fees.

Hamid was still selling fake diplomas, duping US consumers into paying upfront fees to enrol in fake high schools and colleges even after Pakistani authorities shut **Axact** down in May 2015.

On 8th April 2017; news appeared in media quoting Acting US Attorney Joon H Kim's press release from the US Justice Department:

"Operating from Pakistan, Umair Hamid helped fraudulently rake in millions of dollars from unwitting American consumers who paid to enrol in, and get degrees from, high schools and colleges that did not exist.

As a result of his fraud, people who thought they were investing in an education received nothing more than worthless diplomas and a harsh lesson in the worldwide reach of deceit.

Together with our partners at the FBI and the Postal Service, we will continue to work to protect consumers from scams that victimise our citizens."

Umair Hamid, aged 31, of Karachi and one of the top executives of **Axact** Company, **pleaded guilty in a US court in connection with \$140 million fake degree scandal.** The offence carries a maximum sentence of 20 years imprisonment.

Umair had fled Pakistan with the alleged connivance of FIA. While he successfully manipulated the flawed criminal justice system in Pakistan where the corrupt mostly go scot-free, he was left with no option but to plead guilty in the US.

Shoaib Sheikh, Viqas Atiq and several other officials of Axact who were facing similar allegations in Pakistan had secured bails as ***the FIA didn't pursue the case*** properly and instead cooperated with the accused through concealing the evidence in possession of investigators.

Umair pleaded guilty before US District Judge Ronnie Abrams to conspiracy to commit wire fraud in connection with an ***international diploma mill scheme*** that collected \$140 million plus from thousands of customers; according to an official handout from US attorney's office put on Department of Justice website. The judge Abrams, however, announced a schedule to announce the exact punishment on 21st July 2017 at 3:00 pm.

Umair had served as Assistant Vice President of International Relations of the **Axact**. Among other things, he made various false and fraudulent representations to consumers in order to sell fake diplomas. Umair controlled websites of purported 'schools' that:

(1) Falsely represented that consumers who 'enrolled' with the schools by paying tuition fees would receive online instruction and coursework;

(2) Sold bogus academic 'accreditations' in exchange for additional fees;

(3) Falsely represented that the schools had been certified or accredited by various educational organisations; and

(4) Falsely represented that the schools' degrees were valid and accepted by employers, including in the United States.

As a further part of the scheme, Umair and a co-conspirator had:

(1) opened bank accounts in the US in the names of shell entities, effectively controlled by Umair, that received funds transferred by consumers in exchange for fake diplomas;

(2) transferred funds from those bank accounts to bank accounts associated with other entities located elsewhere in the US and abroad, at the direction of Umair; and

(3) opened and operated an account to collect and distribute consumer funds obtained in connection with their fraudulent scheme of diploma mills.

In May 2015, **Axact** was shut down by Pakistani law enforcement, and certain individuals associated with the company were prosecuted in Pakistan. Nevertheless, after that, Umair resumed his fraudulent business of selling fake diplomas to consumers in the US for upfront fees based upon false and fraudulent representations.

Most recently, Umair travelled to the US in 2016 in order to open a bank account used to collect money from defrauded consumers. **Umair, using the aliases "Shah Khan" and "Shah"** and others operated a massive education "**diploma mill**" through **Axact**, which had described itself as one of the world's leading information technology providers.

Axact promoted and claimed to have an affiliation with approximately 350 fictitious high schools and universities, which it advertised online to consumers as genuine schools. **Axact**, through Umair and his co-conspirators, falsely "*accredited*" purported colleges and other educational institutions by arranging to have diplomas from these false educational institutions affixed with fake stamps supposedly bearing the seal and signature of the US Secretary of State, as well as various state agencies and federal and state officials.

On 28th August 2017; Umair Hamid was sentenced to 21 months in prison in the United States for his role in an **international diploma mill scheme** operated through the company, announced by Joon H. Kim, the Acting US Attorney for the Southern District of New York.

In addition to the prison term, Hamid 31 was ordered to forfeit \$5,303,020; he had pleaded guilty on **6th April 2017**. The Acting US Attorney said that on the basis of documents filed in this case and statements made in related court proceedings, US Justice Department held the indictment.

The fate of Axact scandal in Pakistan and America has brought to sharp comparison the criminal justice system of the two countries.

CORRUPT [?] FIA LET AXACT FREE:

Umair had confessed before a magistrate in Karachi what he later pleaded guilty before an American judge; however, he made the confessional statement before Pakistani magistrate ***as a prosecution witness and then fled abroad.***

Later, he retracted, saying he was coerced into confession, a tactic about which FIA's first prosecutor in the **Axact** case, Barrister Zahid Jamil, had fore-warned. Mr Jamil suspected that he would make confession to extract concession only to retract later; he should not be made a prosecution witness – but the FIA insisted to do so.

FIA's then Director Karachi insisted Umair must be taken as prosecution witness. One of the two hard disks recovered from **Axact** was in possession of Umair who was a close confidante of Shoaib Sheikh.

The **Axact** case had ***sufficient incriminating evidences to go ahead*** and prove the case but ***four prosecutors had quit the case under the garb of threats;*** it was a clear indication of how a weak presentation was made before the court in order to extend favour to the accused; ***Barrister Zahid Jamil, FIA's counsel in this case, was the first to quit.***

Top accused failed to secure even bail from the court so long as the FIA aimed at thorough and independent investigation and Barrister Jamil went straight. The **Axact** building was also in the custody of the FIA by that time. Then one day, he mysteriously resigned after telling the judge that he couldn't continue the case due to some pressure.

Barrister Jamil's house was attacked later; anonymous attackers hurled a grenade there. His successors also kept the momentum as long as they were not forced to quit. The reason they cited was the ***security situation in Karachi;*** investigation remained halted since then.

The evidence acquired from the FBI wherein the online universities being run by Axact were declared fraud, was not submitted to the court by the FIA; half of the bank accounts were NOT frozen by FIA despite the court orders.

The FIA prosecutors didn't appear quite often on hearing dates. As a result, the trial could not be started even after passage of twenty months when the scandal broke out. The chronological order of the event as per details available on files remained:

- The law agencies closed **Axact's** Islamabad offices within 12 hours of the publication of the **NYT report** [on 17th May 2015].
- Within 48 hours, **Axact's** head offices in Karachi were seized and occupied by the legal agencies [FIA].
- The legal officials took away all the papers and records of **Axact**. They also seized all the servers and stopped the operations of all business units of **Axact**, including the call centre, web designing, application development and research.
- By 26th May 2015, **Axact's** bank accounts were frozen and top management, including CEO Shaikh and 13 others were arrested.
- The accused were denied bail for 15 months because the case was very strong for prosecution purposes.
- All the arrested officials, though highly qualified, educated professionals, some gold-medallists and position holders from top Pakistani universities – were kept in the prison; no bogus 'medical' plea was entertained contrary to routine in Pakistan.
- More than Rs:270 million of equipment were taken away by the FIA officials from **Axact** HQ in Karachi alone.
- Later, the authorities had also frozen bank accounts of **Axact's** management, CEO Shaikh's mother, sisters, wife, and other family members; they were also barred from selling properties.
- At least 10 judges heard the same case and none were able to complete the hearing because of the delaying tactics of law enforcement agencies.
- Within four days of the publication of NYT report, the Information Technology Ministry suspended **Axact's** call centre license.
- Within three to four days, **Axact's** software registration was also suspended.
- Within six to seven days, the FBR issued **Axact** demand notices for its audit; BUT was referred to contact the FIA.
- The PEMRA suspended licenses of BOL News and BOL Entertainment Channel.

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- Within the next few days, the Customs Department launched a demand of receipts of BOL TV's equipment through the FIA because no import duty was paid on any part of equipment.
- In FIA's one FIR, Axact owners were accused of bringing in foreign exchange by selling fake degrees; another FIR accused them of transferring Rs:170 million abroad through a money changer; Money-Laundering case was sure but why & how the FIR was quashed by the court.
- The law enforcement agencies filed separate cases in Karachi and Islamabad on the heinous charges but neither the governments nor the courts bothered.
- The names of women of the family of CEO Shaikh were in FIRs [because they were financial beneficiaries of **Axact**], but no action against any was recommended.

On 4th June 2016; after 15 months, the **Axact** House and the near by building were handed back to the management following court orders; who facilitated it?

On 19th September 2016; **Axact** re-appeared with its activities again while its buildings were restored in a record time and the company re-launched its operations.

Axact had survived; hats off to corrupt mafia within Pakistan's most concerned office hands of investigation agencies, prosecution and judiciary - all hands in the same one glove.

On 4th October 2017; Top officials of Habib Bank Limited [HBL] disclosed to a parliamentary panel besides other reasons, the US banking regulator slapped \$225 million penalty and ordered closure of its branch in New York for giving dollar clearing facility to the Saudi Al Rajhi Bank and having the account and transaction of **Axact Company**, which was being chased by the US Federal Bureau of Investigation [FBI].

*[On 28th August 2017; New York State Department of Financial Services {NY SSD} initiated a process to impose **civil monetary penalty of up to \$629.625 million on HBL** on the basis of Report of Examination {ROE} of 2016; the bank had to decide to close its operations. Later, the HBL reached a settlement with the regulator to pay \$225 million as civil monetary penalty.]*