



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
JONATHAN CARTU, DAVID CARTU, AND JOSHUA CARTU**

**STATEMENT OF ALLEGATIONS
(Subsection 127(1) and Section 127.1 of
the *Securities Act*, RSO 1990, c S.5)**

A. OVERVIEW

1. This case is about unregistered trading and illegal distributions of binary options^[1] in an online trading scheme that targeted Ontarians.^[2] The respondents in this case sold and facilitated the sale of these inherently risky securities outside of legal protections for investors, putting investors' funds at risk.

2. From approximately July 2013 to April 2017 (the **Material Time**), Jonathan Cartu, David Cartu and Joshua Cartu (collectively, the **Respondents**) operated online trading platforms that illegally sold binary

^[1] A binary option is a financial product where the investor receives a payout or loses the investment based on whether the option expires in-the-money. Binary options depend on the outcome of a "yes or no" proposition, hence the name "binary." Binary options have an expiry date and/or time. The price of the underlying asset, and what side of the strike price it is on at the time of expiry, determines whether the investor earns a profit or loses the investment.

^[2] On December 12, 2017, Multilateral Instrument 91-102 Prohibition of Binary Options came into force, prohibiting the sale of binary options of less than 30 days to individuals. While the material time for this matter predates the binary options ban, legal protections in the registration, distribution and anti-fraud rules in securities law still applied.

options to Ontario investors and facilitated the trading of binary options on platforms owned by others.

3. The Respondents and their companies engaged in unregistered trading and illegal distributions of securities by soliciting deposits from Ontario investors, and opening and operating trading accounts for Ontario residents through their online trading platforms. These included the following websites readily accessible by Ontario residents: www.beeoptions.com and www.glenridgecapital.com (the **Cartu Brands**).
4. The Respondents obtained \$1.4 million from approximately 700 Ontario investors and directed these funds to accounts held by entities they owned or controlled. To conceal their conduct from investors, the Respondents lied about the location of their operations, used aliases, and obscured their connection to payment processing companies they owned and operated.
5. The respondents' flouting of the registration and prospectus rules meant that Ontarians were exposed to unacceptable risks—they did not have the assurance that the firm they were dealing with met the fitness standards of proficiency, integrity and solvency, and they did not have full, true and plain disclosure of the risks of binary options.

B. FACTS

Staff of the Enforcement Branch of the Ontario Securities Commission (**Enforcement Staff**) make the following allegations of fact:

6. The Respondents are brothers. They are Canadians from Ontario with dual Israeli citizenship who operated an online binary options business headquartered in Israel. The Respondents and their companies offered binary options to investors around the world, including Ontario investors. The Respondents and their companies were not registered with the Ontario Securities Commission (the **Commission**) and they did not file a prospectus with the Commission. The Respondents therefore engaged in unregistered trading and illegal distributions of securities, contrary to subsections 25(1) and 53(1) of the Act.

(a) The binary options brands

7. The Respondents and their companies operated two online platforms for trading in binary options, including www.beeoptions.com (for the **Beeoptions** brand of binary options), and www.glenridgecapital.com (for the **Glenridge Capital** brand). These websites, through which investors deposited money and engaged in binary options trading, were accessible to Ontario investors.
8. The two websites contained representations and statements reflecting

being in the business of trading in securities. For example:

a. Beeoptions Website:

- (i) "Round-the-clock >> TRADING
 - Over 130 Tradeable Assets
 - Weekly Promotions
 - FREE Training and Consulting >> TRADE NOW"
- (ii) "Trade Effectively >> Beeoptions offers you the most advanced tools in order to make the most of your trades. Experience the buzz with the most professional and reliable platform in the industry >> TRADE NOW"
- (iii) "Our team comes from a wide variety of trading backgrounds. Our trading consultants specialize in the fields of financial options, commodities, derivatives, stocks and forex."
- (iv) "Our intuitive, user-friendly platform makes trading easy. No experience is necessary. Our team of trading consultants are available to guide you through your first binary options trade. As you become more advanced, we are here to advise you in making informed investment decisions. We will work with you to increase your returns."

b. Glenridge Capital

- (i) "Welcome to Glenridge Capital > Professional Trader's Choice - OPEN ACCOUNT: Start trading now!"
- (ii) "We at Glenridge Capital are pleased to offer premium binary options trading services to our clients. We understand that choosing a place to invest your money is touch; therefore we do our utmost to provide quality assurance.
- (iii) "The traditional financial market it [sic] flooded with information that can be daunting, however Glenridge Capital offers simple 3-5 steps options by selecting pairs or individual assets. You merely need to project the outcome of the asset(s). And we offer guidance from expert analysts just in case you still have questions. . . ."

9. Both platforms made representations to investors about offering returns *"between 60-85%."*
10. Both websites also made misleading representations about their locations, providing telephone contact information in multiple jurisdictions but failing to disclose that Israel was the location of both Beeoptions' and Glenridge Capital's operations.

(b) Tracy PAI

11. The Respondents established Tracy PAI Management Limited (Tracy PAI), a call centre located in Israel to operate their binary options trading activities. The Respondents hired, supervised and paid the staff who engaged in a wide range of activities constituting trading, and acts in furtherance of trading, in the Cartu Brands, including: soliciting deposits from investors to trade binary options, facilitating trades through the Respondents' online platforms, and discouraging investors from withdrawing their funds from binary options trading accounts. The Respondents authorized, permitted or acquiesced in the solicitation and trading activities directed at Ontario investors and others conducted by individuals at Tracy PAI.
12. The Respondents and Tracy PAI staff engaged in conduct contrary to the public interest by using deceptive practices to solicit Ontario investors.

These practices included making misrepresentations to investors about their identities by using aliases and concealing the fact that the Tracy PAI call centre was in Israel. The Cartus were aware of these deceptive practices. For example, Jonathan Cartu used an alias himself in dealing with investors, calling himself "Jon Cartier".

(c) UKTVM and Greymountain

13. The Respondents established and operated two companies to facilitate the process by which online investors deposited funds to their binary options trading accounts: UKTVM Ltd. (**UKTVM**); and Greymountain Management Limited (**Greymountain**).
14. UKTVM was incorporated in the United Kingdom and facilitated payment processing services for the *Beeoptions* binary options brand through to late 2014. These services included the processing of credit and debit card charges by investors to deposit funds in their *Beeoptions* trading accounts. The Respondents took steps to obscure their connection to UKTVM, including the use of nominee directors. The Respondents authorized, permitted or acquiesced in the payment processing and related services facilitated by UKTVM to accumulate deposits from Ontario investors and others.
15. Greymountain was incorporated in Ireland and facilitated similar payment processing services for the Cartu Brands from mid 2014

through to 2017. The Respondents took steps to obscure their connection to Greymountain, including the use of nominee directors and shareholders. In October 2015, the Respondents hired out Greymountain payment processing services to other third-party binary options operators for a fee, further facilitating the trading of binary options in Ontario. The Respondents authorized, permitted or acquiesced in the payment processing and related services facilitated by Greymountain to accumulate deposits from Ontario investors and others.

16. UKTVM and Greymountain entered into contracts with *bona fide* third-party payment processing companies to take advantage of their existing arrangements with major credit card issuers. The third-party payment processors processed the binary options transactions on behalf of UKTVM and Greymountain.
17. UKTVM and Greymountain directed the third-party payment processors to forward all funds cleared from investor deposits to bank accounts controlled by UKTVM and Greymountain in the United Kingdom and Ireland, respectively. The Respondents directed significant sums of these funds to private companies that they owned or controlled.

(d) Binary options investor funds

18. The Respondents obtained approximately \$1.4 million from Ontario investors as a result of non-compliance with the Act. Records from Canadian financial institutions demonstrate that from July 2013 to April 2017, approximately 150 Ontario investors were charged approximately \$190,000 on their debit and credit cards for Cartu Brand binary options. In addition, from October 2015 to April 2017, approximately 550 Ontario investors were charged approximately \$1.2 million on their debit and credit cards for Cartu Brand and third-party binary options processed through Greymountain.
19. It is estimated that over the course of the Material Time, UKTVM and Greymountain bank accounts received approximately \$233 million from the Respondents' global binary-options related operations.
20. It is estimated that over the course of the Material Time, UKTVM and Greymountain bank accounts disbursed approximately \$55 million to accounts held by entities owned or controlled by the Respondents.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

21. Enforcement Staff allege the following breaches of Ontario securities law and conduct contrary to the public interest:
 - i) engaging in, or holding themselves out as engaging in, the business of trading in securities without registration in

accordance with Ontario securities law, contrary to subsection 25(1) of the Act;

- ii) engaging in trading in securities which constitute distributions without filing a preliminary prospectus and a prospectus with the Commission, contrary to subsection 53(1) of the Act; and
- (c) engaging in deceptive practices in the solicitation of binary options trading including: making misrepresentations to investors about their identities through the use of aliases; concealing the true location of their operations; and using nominees to obscure the Respondents' involvement in binary options trading activities.
- (d) In addition, the Respondents are deemed to have not complied with Ontario Securities law by authorizing, permitting and/or acquiescing to the conduct of Tracy Pai, UKTVM, and Greymountain described above.
- (e) Enforcement Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

D. ORDER SOUGHT

22. Enforcement Staff request that the Commission make an order pursuant to subsection 127(1) of the Act that:

- iii) the Respondents permanently cease trading in any securities or derivatives or for such period as is specified by the Commission, pursuant to paragraph 2 of subsection 127(1) of the Act;
- iv) the Respondents are permanently prohibited from acquiring any securities or for such period as is specified by the Commission, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- v) any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission, pursuant to paragraph 3 of subsection 127(1) of the Act;
- vi) the Respondents are reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- vii) the Respondents resign any positions that they hold as director or officer of an issuer, a registrant, or an investment fund manager, pursuant to paragraphs 7, 8.1, and 8.3 of subsection 127(1) of the Act;
- viii) the Respondents are prohibited from becoming or acting as director or officer of an issuer, a registrant, or an investment fund manager, or from becoming or acting as an issuer, a registrant, or an investment fund manager, permanently or for such period as is specified by the Commission, pursuant to paragraphs 8, 8.2, 8.4, and 8.5 of subsection 127(1) of the Act;
- ix) the Respondents pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;

- x) the Respondents disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- xi) the Respondents pay costs of the Commission investigation and hearing, pursuant to section 127.1 of the Act; and
- xii) such other order as the Commission considers appropriate in the public interest.

DATED this 4th day of May, 2020.

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