



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
ETORO (EUROPE) LIMITED**

STATEMENT OF ALLEGATIONS
(Subsection 127(1) and (2) and Section 127.1
of the *Securities Act*, RSO 1990, c S 5 as amended)

A. ORDER SOUGHT

1. Staff of the Enforcement Branch (“**Staff**”) of the Ontario Securities Commission (the “**Commission**”) requests that the Commission make an order pursuant to subsections 127(1) and (2) and section 127.1 of the *Securities Act*, RSO 1990 c S 5, as amended (the “**Act**”) to approve the settlement agreement dated September 17, 2018 between Staff and eToro (Europe) Limited (“**eToro**”).

B. FACTS

2. Foreign companies in the business of online trading of securities or derivatives for Ontario residents, including contracts for difference (“**CFDs**”) based on exposure to underlying assets which include cryptocurrencies and stocks, are subject to the registration and prospectus requirements of the Act. The registration and distribution requirements of the Act foster integrity, fairness and enhance protection for Ontario investors.

3. Enforcement Staff make the following allegations of fact:

(a) Overview

4. Between 2008 until approximately October 2, 2017 (the “**Material Time**”), eToro contravened section 25 and 53 of the Act by opening and operating trading accounts for

Ontario residents in which CFDs based on exposure to underlying assets including cryptocurrencies and stocks, were traded without registration or proper reliance on available exemptions from the requirement to register. The majority of these accounts were opened by eToro in 2017, after Staff had already raised concerns with eToro about access by Ontario residents to eToro's online trading platform (the "**eToro Platform**").

(b) eToro

5. eToro is a brokerage firm resident in Cyprus which operates the eToro Platform.
6. eToro is regulated by the Cyprus Securities and Exchange Commission.
7. eToro is not a reporting issuer in Ontario and has not filed a prospectus or a preliminary prospectus with the Commission. eToro is not registered to engage in the business of trading in accordance with Ontario securities law.

(c) Ontario Clients

8. During the Material Time, eToro opened and operated nearly 2,500 accounts for clients resident in Ontario (the "**Ontario Accounts**").
9. The Ontario Accounts were opened using an online account application process accessed through eToro's website.
10. During the Material Time, eToro earned revenues from the Ontario Accounts totalling USD \$1,791,163. This amount includes all revenues of eToro in relation to the Ontario Accounts, including amounts attributable to rollover (margin) fees and bid-ask spreads with respect to the underlying assets.
11. Ontario investors traded CFDs based on exposure to underlying assets which included cryptocurrencies and stocks through the eToro Platform. eToro was the counterparty to the CFD trades.

(d) eToro Communications with Staff

12. In November 2010, Staff raised concerns with eToro that it was breaching Ontario securities law by offering Ontario residents to participate in the eToro Platform. Staff indicated that it was contemplating adding eToro to its Investor Warning List published on the Commission's website.
13. In December 2010, in order to alleviate Staff's concerns, eToro offered and agreed to, among other things, ensure that all of eToro's sales and support team members were made aware that eToro does not accept trades from Ontario customers and that eToro is not registered in Ontario.
14. In September 2011 and May 2015, in response to further inquiries by Staff, eToro informed Staff that:
 - "all our Sales and Support team members are familiar and have been refreshed as to our customer acceptance policy"; and
 - eToro had "not changed any of [its] policies towards residents from Ontario".
15. In fact, during the Material Time, unknown to Staff, eToro's sales and support team members did not play any role in reviewing or screening prospective new clients to ensure that they were not from Ontario. Further, eToro had no written policies regarding Ontario residents.
16. Accordingly, during the Material Time, eToro had no meaningful controls in place to prevent Ontario residents from opening accounts and accessing its trading platform. As a result, eToro continued to open accounts and accept trades from Ontario residents.

C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

17. Staff alleges the following breaches of Ontario securities law and/or conduct contrary to the public interest by:
 - a. engaging in the business of trading in securities without registration in accordance

with Ontario securities law or an applicable exemption from registration, contrary to section 25 of the Act; and

- b. engaging in trading in securities which constitute distributions without complying with the prospectus requirements or without an applicable exemption from the prospectus requirements, contrary to section 53 of the Act.
18. Staff reserves the right to amend these allegations and to make such further and other allegations as Staff deems fit and the Commission may permit.

Dated this 3rd day of October, 2018