

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

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION AND STAFF’S REGULATORY MESSAGE**

1. Foreign companies and individuals who permit or otherwise engage in activities that facilitate the sale of securities to Ontarians must first ensure they have met all registration requirements under *Securities Act* RSO 1990, c.S.5 (the **Act**). The registration requirements serve to protect Ontario investors. When foreign companies and individuals facilitate the sale of securities by others without registration, they contravene Ontario securities law, expose investors to unacceptable risks of harm, and undermine investor confidence and the fairness of our markets.
2. In this case, between July 2013 and April 2017, Greymountain Limited (**Greymountain**) and UKTVM Ltd. (**UKTVM**), offshore companies in which David Cartu (**Cartu**) had sole beneficial interest, provided services to merchants (**merchants**) that were engaged in the sale of binary options to Ontario residents contrary to Ontario securities law.
3. The services provided by Greymountain and UKTVM facilitated the processing of payments by merchants in connection with the merchants’ sale of binary options to Ontario investors. The merchants’ activities resulted in investor losses and violated sections 25(1) and 53(1) of the Act. The services provided to those merchants by Greymountain and UKTVM constituted acts in furtherance of trading in securities, contrary to section 25(1) of the Act.
4. Between July 2013 and December 2014, UKTVM provided services to an online binary options trading merchant (the **Merchant**) that had the effect of facilitating payment for the sale of binary options to Ontario investors in the amount of approximately \$132,000.
5. Between December 2014 and April 2017, Greymountain provided services to the Merchant and other merchants, including services that facilitated payment for the sale of binary options to Ontario investors in the amount of approximately \$1.2 million.
6. Greymountain ceased providing services to merchants engaged in the sale of binary options to Ontario residents on April 24, 2017, two days before the Canadian Securities Administrators’

announcement of a proposed ban on the advertising and sale of binary options. In July 2017, Greymountain went into liquidation.<sup>1</sup>

7. The parties will jointly file a request that the Ontario Securities Commission (the **Commission**) issue a Notice of Hearing (the **Notice of Hearing**) to announce that it will hold a hearing (the **Settlement Hearing**) to consider whether, pursuant to 127.1 of the Act, it is in the public interest for the Commission to make certain orders against Cartu.

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

8. Staff agree to recommend settlement of the proceeding commenced by the Notice of Hearing (the **Proceeding**) against Cartu according to the terms and conditions set out in Part V of this Settlement Agreement (the **Settlement Agreement**). Cartu agrees to the making of an order in the form attached as Schedule “A” (the **Order**), based on the facts set out below.
9. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a Canadian securities regulatory authority, Cartu agrees with the facts set out in Part III and the conclusions set out in Part IV of this Settlement Agreement.

## **PART III – AGREED FACTS**

### **A. Cartu**

10. During the relevant period, Cartu, then a resident of Israel, was the sole beneficial owner of each of UKTVM and Greymountain and derived income from their operations.
11. None of Cartu, UKTVM or Greymountain have ever been registered under Ontario securities law.
12. There is no evidence that Cartu received amounts from, had contact with, initiated or solicited any Ontario investor to purchase binary options, or that he engaged in acts of dishonesty with respect to Ontario investors.

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<sup>1</sup> 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.”

## **B. UKTVM**

13. UKTVM was incorporated in the United Kingdom on October 8, 2012. It provided administrative services to the Merchant, whose website was accessible to Ontario investors.
14. Among other services, investor deposits to the Merchant's website by credit or debit card were indirectly facilitated by UKTVM, which entered into an agreement with a third-party payment processor (**Payment Processor**) for that purpose. The Merchant's website stated that processing was provided by UKTVM. The name of the Merchant and/or of UKTVM appeared on some credit card statements of investors in Ontario and elsewhere.
15. In exchange for UKTVM's services, UKTVM charged the Merchant a commission of approximately 5% of investor deposits and charged a fee for certain other services.
16. UKTVM ceased operations in December 2014.
17. The services UKTVM provided to the Merchant indirectly facilitated payment for the sale of binary options to Ontario investors in an amount not exceeding \$132,000.

## **C. Greymountain**

18. Greymountain was incorporated in Ireland on May 20, 2014.
19. Greymountain provided technical integration services and customised IT solutions to the Merchant. In connection with these services, Greymountain entered into service agreements with third party payment processors to facilitate investor deposits to the Merchant's website by credit or debit card. The Merchant's website stated that processing and "White Label Solutions" were provided by Greymountain. Subsequently, the name of the Merchant and/or Greymountain appeared on some credit card statements of Ontario investors.
20. Commencing in or about December 2014, Greymountain began providing "White Label Solutions" for other binary option merchants as well. The services provided by Greymountain to these merchants included indirectly facilitating credit and debit card deposits by investors in Ontario and elsewhere. In particular, Greymountain's technology enabled certain merchants to receive funds from credit and debit card companies.

21. In exchange for Greymountain's services, Greymountain charged merchants a commission of approximately 7% of investor deposits from Ontario investors and charged a fee for certain other services.
22. The name "Greymountain" appeared on some credit card statements of investors in Ontario who invested in binary options sold by the merchants.
23. The services provided by Greymountain indirectly facilitated payment for the sale of binary options to Ontario investors in the total amount of approximately \$1.2 million.
24. Greymountain went into liquidation in July 2017. While Greymountain was in liquidation, Cartu and Greymountain employees assisted the liquidator in recovering funds from merchants for investors.

#### **PART IV - CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

25. Cartu admits and acknowledges that he contravened Ontario securities law and acted contrary to the public interest by knowingly permitting UKTVM and Greymountain to engage in activities that constituted acts in furtherance of trading in securities. Such acts in furtherance of trading in securities contravened section 25(1) of the Act. The business of UKTVM and Greymountain indirectly facilitated trading by Ontario investors in binary options who transacted with merchants that contravened sections 25 and 53 of the Act, and whose activities resulted in investor losses.

#### **PART V – TERMS OF SETTLEMENT**

26. The Respondent agrees to the terms of settlement listed below and consents to the Order in substantially the form attached hereto as Schedule "A", which provides that:
  - a. the Settlement Agreement is approved;
  - b. pursuant to paragraph 8 of subsection 127(1) of the Act, Cartu shall be prohibited from acting as a director or officer of any issuer for a period of seven years from the date of the Order;
  - c. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Cartu shall cease for a period of seven years from the date of the Order;
  - d. pursuant paragraph 9 of subsection 127(1), Cartu shall pay an administrative penalty of C\$300,000 by wire transfer to the Commission before the commencement of the

Settlement Hearing, which amount shall be designated for allocation for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act; and

- e. pursuant to paragraph 1 of subsection 127.1 of the Act, Cartu shall pay costs of the Commission's investigation in the amount of C\$15,000, by wire transfer to the Commission before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act.
27. Cartu agrees to attend at the hearing before the Commission to consider the proposed settlement by video conference.
28. The Respondent acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

#### **PART VI – FURTHER PROCEEDINGS**

29. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, in which case Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.
30. If the Commission approves this Settlement Agreement and Cartu fails to comply with any of the terms of the Settlement Agreement, Staff or the Commission, as the case may be, may bring proceedings under Ontario securities law against Cartu. These proceedings may be based on, but need not be limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.
31. Cartu waives any defences to a proceeding referred to in paragraph 30 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with the Settlement Agreement.

## **PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT**

32. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Commission, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.
33. Staff and Cartu agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the Settlement Hearing in relation to Cartu's conduct, unless the parties agree that additional facts should be submitted at the Settlement Hearing.
34. If the Commission approves this Settlement Agreement:
  - a. Cartu irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and
  - b. No party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.
35. If the Commission does not approve this Settlement Agreement at the Settlement Hearing, Staff shall return to Cartu all funds paid by them to the Commission prior to the Settlement hearing within seven (7) days of the Settlement Hearing or the Commission's decision not to approve this Settlement Agreement, whichever is later.
36. Whether or not the Commission approves this Settlement Agreement, Cartu will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

## **PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

37. If the Commission does not approve this Settlement Agreement or does not make an order substantially in the form of the Order attached as Schedule "A" to this Settlement Agreement:
  - a. this Settlement Agreement and all discussions and negotiations between Staff and Cartu before the Settlement Hearing takes place will be without prejudice to Staff and Cartu; and
  - b. Staff and Cartu will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the

Statement of Allegations dated May 5,2020. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

38. The parties will keep the terms of this Settlement Agreement confidential until the Commission approves the Settlement Agreement, except as is necessary to make submissions at the Settlement Hearing. If, for whatever reason, the Commission does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless Staff and the Respondents otherwise agree in writing or if required by law.

**PART IX – EXECUTION OF SETTLEMENT AGREEMENT**

39. This Settlement Agreement may be signed in one or more counterparts which, together, constitute a binding agreement.
40. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

**DATED** at this 18<sup>th</sup> day of May, 2021.

“Linda Fuerst”

Witness:

Name: Linda Fuerst  
Title: Senior Partner

“David Cartu”

**DAVID CARTU**

**DATED** at Toronto, Ontario, this 17<sup>th</sup> day of May, 2021.

**ONTARIO SECURITIES COMMISSION**

By: “Jeff Kehoe”

Name: Jeff Kehoe  
Title: Director, Enforcement Branch

## Schedule "A"



Ontario Securities Commission	Commission des valeurs mobilières de l'Ontario	22nd Floor 20 Queen Street West Toronto ON M5H 3S8	22e étage 20, rue queen Toronto ON M5H 3S8
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### IN THE MATTER OF JONATHAN CARTU, DAVID CARTU and JOSHUA CARTU

, Chair of the Panel  
, Commissioner  
, Commissioner

File No. 2020-14

[Date]

#### ORDER (Sections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5)

WHEREAS on May X, 2021, the Ontario Securities Commission (the **Commission**) held a hearing by video conference to consider the request made jointly by David Cartu and Staff of the Commission (**Staff**) for approval of a settlement agreement dated May X, 2021 (the **Settlement Agreement**);

ON READING the Statement of Allegations dated May 5, 2020, the Settlement Agreement and the written submissions of Staff, and on hearing the submissions of Staff and the representative for David Cartu;

#### IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. pursuant to paragraph 8 of subsection 127(1) of the Act, Cartu shall be prohibited from acting as a director or officer of any issuer for a period of seven years from the date of the Order;
3. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Cartu shall cease for a period of seven years from the date of the Order;
4. pursuant paragraph 9 of subsection 127(1), Cartu shall pay an administrative penalty of C\$300,000 by wire transfer to the Commission before the commencement of the Settlement Hearing, which amount shall be designated for allocation for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act; and

5. pursuant to paragraph 1 of subsection 127.1 of the Act, Cartu shall pay costs of the Commission's investigation in the amount of C\$15,000, by wire transfer to the Commission before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act.

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[Chair]

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[Commissioner]

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[Commissioner]