



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
THE *SECURITIES ACT*, RSO 1990, c S.5**

**- and -**

**IN THE MATTER OF  
AAOPTION, GALAXY INTERNATIONAL SOLUTIONS LTD.  
and  
DAVID ESHEL**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) allege:

**I. OVERVIEW**

1. AAOption, Galaxy International Solutions Ltd. (“Galaxy”) and David Eshel (“Eshel”) (collectively, the “Respondents”) are subject to an order made by the Financial and Consumer Affairs Authority of Saskatchewan (the “FCAA”) dated July 14, 2016 (the “FCAA Order”) that imposes sanctions, conditions, restrictions or requirements upon them.
2. In its findings on liability and sanctions dated June 8, 2016 (the “Findings”), a panel of the FCAA (the “FCAA Panel”) found that the Respondents acted as dealers by engaging in the business of trading in securities or holding themselves out as engaging in the business of trading in securities in Saskatchewan, without being registered to do so, in contravention of Saskatchewan securities laws.
3. Staff are seeking an inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990, c S.5 (the “Act”).

## II. THE FCAA PROCEEDINGS

### The FCAA Findings

4. The conduct for which the Respondents were sanctioned took place in April 2015 (the “Material Time”).
5. Neither Galaxy nor AAOption are registered under the Saskatchewan *Securities Act, 1988*, SS 1988, c S-42.2 (the “Saskatchewan *Securities Act*”).
6. Galaxy was incorporated in the jurisdiction of Anguilla. It is now dissolved.
7. According to information currently provided on AAOption’s website, “aaoption.com is a brand owned by Pacific Sunrise UK LTD located at Communications House Moston Lane [Manchester] England M40 9WB.”
8. The FCAA Panel found that Eshel is an individual associated with Galaxy. The FCAA Panel further found that Eshel was “listed as the administrator in a WhoIs Data search of the domain records for AAOption’s website, suggesting that the website was owned and operated by Eshel and/or Galaxy.”
9. During the Material Time, the Respondents provided an online trading platform to trade binary options.
10. On April 20, 2015, a Saskatchewan investor opened a trading account with AAOption and deposited \$500 USD into the account. In order to open the account, the investor provided proof of his identity, including copies of his credit card, a utility bill, passport and Saskatchewan driver’s licence. The investor was contacted later the same day by an AAOption representative, who outlined support services in webinar training and customized training programs offered by AAOption. The investor’s account was verified the next day by an email from AAOption Compliance Department.
11. The investor did not do well with his initial trades. On April 22, 2015, the investor was approached by another individual from AAOption, who advised that if the investor increased his investment to \$10,000 USD, he could participate in hedge fund trading.

The investor was provided with banking information and the beneficiary's address in Anguilla, British West Indies, for the purpose of wiring funds to the company. The investor was also provided a letter of guarantee. The beneficiary's name was Galaxy, but the bank's address was in Sofia, Bulgaria.

12. AAOOption representatives continued to contact the investor, offering him access to auto-trading software for an additional \$500 USD. On April 28, 2015, an individual identifying himself as a senior VIP broker with AAOOption outlined the value of investing \$10,000 USD. The broker promised a return of "about 40% on a monthly basis" using his trading methodology, and indicated that there were different levels of accounts: "5K, 10K, 25K, 50K and Premium VIP."
13. The investor later increased the amount in his investment account to \$5,000USD, and reported that became more successful once his larger account size entitled him to account manager services to help him with his trades. The investor understood that his trading account had grown to approximately \$12,000 USD.
14. After noticing a newspaper article about a cease trade order related to binary options trading, the investor tried unsuccessfully to withdraw funds from his trading account. However, the investor's account manager provided various reasons for AAOOption's failure or refusal to return his money.
15. In a Statement of Allegations of FCAA Staff dated December 9, 2015, FCAA Staff alleged that during the Material Time, the Respondents acted as dealers by engaging in the business of trading in securities or exchange contracts or holding themselves out as engaging in the business of trading in securities or exchange contracts in Saskatchewan, contrary to section 27(2) of the Saskatchewan *Securities Act*.
16. In its Findings, the FCAA Panel determined that:
  - a. the arrangements between the Saskatchewan investor and AAOOption are clearly an investment contract, requiring AAOOption to register with the [FCAA] because the Respondents were engaging in the business of trading in securities; and

- b. the Respondents have failed to be properly registered [in Saskatchewan], and are, therefore, in breach of the [Saskatchewan] *Securities Act*.

### **The FCAA Order**

17. The FCAA Order imposed the following sanctions, conditions, restrictions or requirements:
- a. pursuant to subsection 134(l)(a) of the Saskatchewan *Securities Act*, all of the exemptions in Saskatchewan securities law do not apply to the Respondents, permanently;
  - b. pursuant to subsection 134(l)(d) of the Saskatchewan *Securities Act*, the Respondents shall cease trading in any securities, including derivatives, in Saskatchewan, permanently;
  - c. pursuant to subsection 134(l)(d.1) of the Saskatchewan *Securities Act*, the Respondents shall cease acquiring securities and derivatives, for and on behalf of residents of Saskatchewan, permanently;
  - d. pursuant to subsection 134(l)(e) of the Saskatchewan *Securities Act*, the Respondents shall cease giving advice respecting securities and derivatives, for and on behalf of residents of Saskatchewan, permanently;
  - e. pursuant to section 135.1 of the Saskatchewan *Securities Act*, the Respondents shall pay an administrative penalty to the FCAA in the amount of \$25,000;
  - f. pursuant to section 135.6 of the Saskatchewan *Securities Act*, the Respondents shall pay compensation to each person or company found to have sustained financial loss as a result, in whole or in part, of the Respondents' contraventions of the Saskatchewan *Securities Act*, in an amount to be determined; and
  - g. pursuant to section 161(1) of the Saskatchewan *Securities Act*, the Respondents shall pay to the FCAA the costs of or relating to the FCAA's hearing.

**III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

18. The Respondents are subject to an order of the FCAA imposing sanctions, conditions, restrictions or requirements upon them.
19. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
20. Staff allege that it is in the public interest to make an order against the Respondents.
21. 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.
22. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the Ontario Securities Commission's *Rules of Procedure*.

**DATED** at Toronto, this 26<sup>th</sup> day of October, 2016.