



Ontario  
Securities  
Commission

Commission des  
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de l'Ontario

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

**- and -**

**IN THE MATTER OF  
ZULUTOYS LIMITED and RBOPTIONS**

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

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

**I. OVERVIEW**

1. Zulutoys Limited (“Zulutoys”) and RBOptions (together, the “Respondents”) are subject to an order made by the Financial and Consumer Affairs Authority of Saskatchewan (the “FCAA”) dated April 28, 2016 (the “FCAA Order”) that imposes sanctions, conditions, restrictions or requirements upon them.
2. In its findings on liability and sanctions dated February 19, 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”).

4. The conduct for which the Respondents were sanctioned took place during 2015 (the “Material Time”).
5. RBOptions’ public website reflects Zulutoys as its site owner, and lists contact information for Zulutoys in Majuro, Marshall Islands.

## **II. THE FCAA PROCEEDINGS**

### **The FCAA Panel’s Findings**

The FCAA Panel made the following findings of fact:

6. Neither of the Respondents has ever been registered as a ‘dealer’ under the Saskatchewan *Securities Act, 1988*, SS 1988, c S-42.2 (the “Saskatchewan *Securities Act*”).
7. During the Material Time, the Respondents provided an online trading platform, accessible by Saskatchewan residents, to trade binary options.
8. Zulutoys stated on its public website that it was operating under the business name “RBOptions.”
9. On their public website, the Respondents indicated that: “the Services offered are non-delivery options trading services, and that when You trade with Us, You are not entitled to receive, and We are under no obligation to supply, any of the assets in relation to which You invest in binary options via the Website.”
10. During the Material Time, a resident of Saskatchewan (the “Investor”), opened a trading account with the Respondents, and deposited U.S. \$1,500, but never effected a “trade.” After opening his trading account, the Investor was contacted by telephone by a representative of the Respondents who led the Investor to believe “that he would be able to turn thousands of dollars into millions of dollars by trading in binary options with the Respondents.”
11. On the advice of his adult children, the Investor requested the return of the funds he deposited into his trading account. Prior to complying with the Investor’s request, the

Respondents asked him to provide them with copies of various personal identification documents, including his passport, driver's licence, a recent utility bill reflecting his residential address, and credit card information. The Investor refused to do so.

12. The Investor's adult son, on the Investor's behalf, also requested the return of his father's deposited funds. The Respondents then made a request of the adult son to provide them with copies of the Investor's personal identification documents, which he refused to do.
13. The Respondents eventually returned all of the deposited funds to the Investor.
14. In its Findings, the FCAA Panel held that:
  - a. binary options, including those solicited by the Respondents, are "investment contracts" and therefore "securities" for purposes of the Saskatchewan *Securities Act*; and
  - b. 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 contrary to subsection 27(2) of the Saskatchewan *Securities Act*.

### **The FCAA Order**

15. The FCAA Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondents:
  - a. pursuant to clause 134(1)(a) of the Saskatchewan *Securities Act*, all of the exemptions in Saskatchewan securities laws do not apply to the Respondents, permanently;
  - b. pursuant to clause 134(1)(d) of the Saskatchewan *Securities Act*, the Respondents shall cease trading in any securities or exchange contracts in Saskatchewan, permanently;

- c. pursuant to clause 134(1)(d.1) of the Saskatchewan *Securities Act*, the Respondents shall cease acquiring securities for and on behalf of residents of Saskatchewan, permanently;
- d. 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;
- e. pursuant to section 136.1 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
- f. pursuant to section 161 of the Saskatchewan *Securities Act*, the Respondents shall pay to the FCAA the costs of and related to the FCAA hearing of the matter in the amount of \$2,244.58.

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

- 16. The Respondents are subject to an order of the FCAA imposing sanctions, conditions, restrictions or requirements upon them.
- 17. 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.
- 18. Staff allege that it is in the public interest to make an order against the Respondents.
- 19. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Ontario Securities Commission may permit.

20. 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 29<sup>th</sup> day of August, 2016.