

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL REPORTS  
FORM X-17A-5  
PART III

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/22 AND ENDING 12/31/22  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: eToro USA Securities Inc

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer     Security-based swap dealer     Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

221 River St. 9th Fl

(No. and Street)

Hoboken

NJ

07030

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Alain Tennekoon

(631) 398-1354

alainte@etoro.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

Ernst & Young LLP

(Name – if individual, state last, first, and middle name)

One Manhattan West

New York

NY

10001

(Address)

(City)

(State)

(Zip Code)

10/20/2003

00042

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Alain Tennekoon, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of eToro USA Securities Inc, as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

**JENNICA GOMEZ**  
Electronic Notary Public - Notary Seal  
Boone County - State of Missouri  
Commission Number 23847533  
My Commission Expires 01-03-2027  
Notarized Online with NotaryLive.com

Signature: 

Title:  
FinOp

  
Notary Public

### This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

Financial Statement  
With Report of Independent Registered Public Accounting Firm

**ETORO USA SECURITIES INC.**

December 31, 2022

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Ernst & Young LLP  
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New York, NY 10001  
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## Report of Independent Registered Public Accounting Firm

To the Stockholder and the Board of Directors of eToro USA Securities Inc.

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of eToro USA Securities Inc. (the Company) as of December 31, 2022 and the related notes (the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2022, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*Ernst & Young LLP*

We have served as the Company’s auditor since 2021.

March 31, 2023

eToro USA Securities Inc.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2022

**ASSETS**

|                                   |                     |
|-----------------------------------|---------------------|
| Cash and cash equivalents         | \$ 3,586,250        |
| Deposit with clearing broker      | 375,000             |
| Prepaid expenses and other assets | 233,700             |
| Due from clearing broker          | 16,993              |
| Due from affiliates               | 15,314              |
| Total assets                      | <u>\$ 4,227,257</u> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

|   |                     |
|---|---------------------|
| Liabilities   |                     |
| Due to affiliates   | 1,793,670           |
| Accounts payable and accrued expenses   | 385,143             |
| Due to clearing broker  | 117,444             |
| Total liabilities   | <u>\$ 2,296,257</u> |
| Stockholder's equity  |                     |
| Common stock, \$0.0001 par value per share<br>5,000 shares authorized, 1,000 shares issued and<br>outstanding | 1                   |
| Additional paid-in capital  | 11,659,999          |
| Accumulated deficit   | (9,729,000)         |
| Total stockholder's equity  | <u>1,931,000</u>    |
| Total liabilities and stockholder's equity  | <u>\$ 4,227,257</u> |

eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

eToro USA Securities Inc. (the "Company" or "we"), throughout 2022, was a wholly owned subsidiary of eToro Group Ltd. (the "Parent"). The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). The Company currently operates in one reportable business segment which represents principally all of the Company's capital markets activity.

See Note 7 (Subsequent Events) for disclosure of reorganization which occurred subsequent to December 31, 2022.

The Company operates as a non-exchange member and a fully disclosed broker-dealer brokering online transactions using mobile technology in listed equities and Exchange Traded Funds (ETFs) for retail users. Retail users have electronic access to the Company's trading platform, transactions are unsolicited and the Company works in an agency capacity, executing and clearing transactions through its clearing broker, Apex Clearing Corporation ("Apex"). The Company has a fractional shares program which allows investors to purchase and sell stock based on a dollar amount they select rather than the price of a whole share. This may be particularly advantageous for investors who are working with limited capital but want to build a highly diversified portfolio. On September 9, 2022 we were granted FINRA approval of our continuing membership application, thereby allowing the Company to offer option trading to our customers.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of estimates

The preparation of the financial statement in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. The Company based its estimates on historical experience, anticipated future trends and other assumptions we believe to be reasonable under the circumstances, which together form the basis for making judgements about the carrying values of assets and liabilities. Actual results could differ from those estimates.

eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

Cash and cash equivalents

Cash includes cash deposits at banks. The Company considers all demand and time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2022.

Prepaid expenses

The Company classifies prepayments made under contracts as prepaid expenses and expenses these items over the contract terms. These prepaid expenses may include items such as insurance, regulatory fees, web services, data feeds and subscriptions.

Clearing broker

The Company introduces its customers on a fully disclosed basis to Apex. The Company is required to maintain minimum levels of collateral on deposit with the clearing broker to cover any obligations that may arise from the Company. The Company maintains cash collateral on deposit.

Fractional Shares

The Company offers customers the ability to purchase fractional shares facilitated by our clearing broker-dealer allowing users to purchase stocks on a dollar basis instead of a quantity basis. We do not own or control the stock inventory associated with the fractional program and therefore do not recognize the shares held on the statement of financial condition.

NOTE 3. INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statement of financial condition carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance may be established to reduce the deferred tax asset to the level at which it is “more likely than not” that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and



eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

operating loss carryforwards depends on having sufficient taxable income of an appropriate character within the carryback or carryforward periods.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon review by the taxing authority. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As of December 31, 2022, there are no uncertain tax positions.

The Company is treated as a corporation for federal tax purposes. The Company files a standalone federal income tax return and is included in the combined New Jersey return of eToro USA LLC. Where applicable, the Company calculates tax expense at a combined level, then allocates current and deferred expense to members of the combined filing on a pro-rata basis for purposes of the Company's statement of financial condition.

At December 31, 2022, the Company had federal and New Jersey net operating losses of \$9,734,552 and \$9,726,552, respectively. Federal losses do not expire, and New Jersey losses begin to expire in 2039.

The tax effects of temporary differences that gave rise to significant portions of the Company's deferred tax assets and liabilities as of December 31, 2022, primarily related to the Company's net operating losses, which is completely offset by a full valuation allowance. The net deferred tax asset is zero as of December 31, 2022. Management believes that, based on the positive and negative evidence including a history of tax losses and lack of carryback potential, that it is more likely than not that the deferred tax assets will not be realized, and a full valuation allowance is appropriate. The valuation allowance as of December 31, 2022 was \$2,735,814, an increase of \$1,810,268 from the prior year.

The Company is not currently under examination by income tax authorities in federal or state jurisdictions. However, because the Company has net operating losses carried forward in several jurisdictions, including federal and various state jurisdictions, certain items attributable to closed tax years will be subject to adjustment by applicable taxing authorities through an adjustment to tax attributes carried forward to open years. All tax returns will remain open for examination by the federal and key state taxing authorities for 3 years and 4 years, respectively, from the date of utilization of any net operating loss carryforwards.

NOTE 4. RELATED PARTY TRANSACTIONS

As of December 31, 2022, the Company had a payable of \$1,083,270 due to eToro USA LLC, an affiliate, included in due to affiliates on the statement of financial condition. The Company has an expense sharing agreement with its

eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

affiliate in the US (eToro USA LLC) and pursuant to the agreement, the Company reimburses the affiliate for expenses such as base salaries, technology, information services, occupancy and other expenses. The affiliate also pays certain direct expenses on behalf of the Company, which get allocated back to the Company. Intercompany amounts with this affiliate are settled periodically during the year when working capital permits such repayments. The expense sharing agreement clarifies that the Company has no obligation to reimburse or otherwise compensate the affiliate for any such costs other than as provided in the agreement.

The Company has an expense sharing agreement with the Parent, whereby the Parent provides the Company with certain services and access to certain resources without charge, including IT-related services, the license of the eToro trading platform to the Company and the creation of marketing materials. The expense sharing agreement clarifies the expenses that would be borne by the Company, as well as the expenses that the Parent would solely be liable for. The Company has no obligation to repay the Parent for such costs.

As of December 31, 2022, the Company had a payable of \$469,328 due to eToro US Trading LLC, an affiliate, included in due to affiliates on the statement of financial condition. The Company has an expense sharing agreement with its affiliate in the US (eToro US Trading LLC) and pursuant to the agreement, the Company reimburses the affiliate for such things as employee compensation, technology, information services, occupancy, and other expenses. The affiliate also pays certain direct expenses on behalf of the Company, which get allocated back to the Company. The expense sharing agreement clarifies the expenses that would be borne by the Company, as well as the expenses that eToro US Trading LLC would solely be liable for. The Company has no obligation to repay eToro US Trading LLC for such costs.

As of December 31, 2022, the Company had a payable of \$241,072 due to Gatsby Securities LLC (“Gatsby”), an affiliate, included in due to affiliates on the statement of financial condition, related to assets and liabilities that Gatsby had with its clearing broker-dealer which were transferred into the name of eToro USA Securities Inc. at fair value in October 2022.

As of December 31, 2022, the Company had a receivable of \$14,645 due from eToro USA Advisors Inc., an affiliate. eToro USA Advisors Inc. is dormant, however, it incurs various legal and business license and registration related costs each year associated with developing a Registered Investment Advisors (RIA) business.

During the year, the Parent approved and paid capital contributions to the Company in the amount of \$8,000,000.

eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

NOTE 5. CONCENTRATIONS OF CREDIT RISK

Cash consists of cash in banks, primarily held at a financial institution which at times may exceed FDIC limits of \$250,000. As of December 31, 2022, the cash account balance exceeded federally insured limits by \$3,336,250.

The Company is subject to credit risk to the extent any financial institution with which we conduct business is unable to fulfill contractual obligations on our behalf. We have not experienced any losses in our accounts and we do not have an expectation of credit losses for these arrangements. See Note 7 (Subsequent Events) for disclosure of events occurring subsequent to December 31, 2022.

There were no material commitments or contingencies during the year.

NOTE 6. RISKS REGARDING COMMENCEMENT OF THE BUSINESS AND THE ABILITY OF THE COMPANY TO CONTINUE AS A GOING CONCERN

The Company officially launched its product in January of 2022. The Company has generated operating losses during the year ended December 31, 2022. There are many risks related to commencing any new business including attracting and retaining new employees, creating an efficient operations platform, acceptance by the marketplace of the business created, and its ability to generate profitable operations and positive cash flows.

While management has created a business in trading equities, ETFs, and options contracts, the Company presently does not have the profitability to support the Company's operations, however financial support from the Parent has provided the Company with the capital necessary to support the Company's operations. If the Company is unable to commence and generate adequate sales and achieve profitable operations, the Parent has the ability to and has agreed to provide the necessary financial support to the Company.

NOTE 7. SUBSEQUENT EVENTS

The Company has evaluated all events and transactions that occurred after December 31, 2022 through the date that the financial statement was available to be issued, March 31, 2023.

During the first quarter of 2023, the Company reorganized with certain affiliates under their mutual Parent company to facilitate the merger with affiliate Gatsby. FINRA accepted Gatsby's withdrawal from broker-dealer membership on January 14, 2023, allowing the entities to consummate the merger of both broker-dealers. The affiliate Gatsby contributed net assets to the Company of approximately \$570,000, including cash of approximately \$337,000 and a

eToro USA Securities Inc.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2022

receivable from the Company of \$241,072 which was eliminated as a result of the merger.

In February 2023, the Parent approved and paid a capital contribution of \$2,000,000 to the Company to continue to fund the Company's ongoing operations.

In the last quarter of 2022, The Company began transferring its funds from Silvergate Bank to Signature Bank. This decision was made after a thorough review of Silvergate's credit ratings and other analytical factors by the Company's internal risk management team. The Company is in the process of opening accounts for both operating and custodial funds in other banks.

NOTE 8. NET CAPITAL REQUIREMENT

The Company's business is subject to significant regulation by various governmental agencies and self-regulatory organizations, including the SEC and FINRA. Such regulation includes, among other things, periodic examinations by these regulatory bodies to determine whether the Company is conducting and reporting its operations in accordance with the applicable requirements of these organizations.

As a registered broker-dealer, the Company is subject to the SEC's Net Capital Rule (Rule 15c3-1), which requires that the Company maintain "Net Capital" equal to the greater of \$100,000 or 6-2/3% of "Aggregate Indebtedness," as defined, and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the net capital rule of the SEC and other regulatory bodies. As of December 31, 2022, the Company's "Net Capital" was \$1,664,993 and the "Required Net Capital" was \$153,084. As of December 31, 2022, the Company's ratio of aggregate indebtedness to net capital was 1.38 to 1.