

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 101001 / September 12, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22106**

**In the Matter of**

**eToro USA LLC**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against eToro USA LLC (“eToro” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Facts

1. eToro USA LLC ("eToro") is a Delaware limited liability company with its principal executive offices in Hoboken, New Jersey. eToro has never been registered with the Commission in any capacity.

2. From at least 2020 to the present (the "Relevant Period"), eToro provided U.S. customers with the ability to trade crypto assets, including crypto asset securities, through its online trading platform (the "Trading Platform"). Specifically, through this Trading Platform, eToro displayed bids and offers for various crypto assets and effectuated the purchase and sale of crypto assets on customers' behalf for a fee. eToro also custodied crypto assets that had been purchased by customers.

3. Throughout the Relevant Period, eToro marketed its services to the public. For example, eToro's website stated customers could "trade crypto with confidence." It advertised that, by trading through eToro, customers could "access a wider variety of top cryptocurrencies." eToro's website also highlighted various third-party reviews about eToro's crypto asset services, including quotes such as, "Best broker for cryptos" and "eToro meshes together some of the best features of a crypto exchange with those of a traditional broker."

4. Throughout the Relevant Period, eToro effected transactions in crypto assets, including crypto asset securities, for customers, as their agent, and held U.S. dollars and crypto assets on its customers' behalf. Prior to buying a crypto asset on the Trading Platform, a customer was required to fund their account with U.S. dollars, which eToro then held in an omnibus bank account maintained for the benefit of its customers (the "Omnibus Account"). Once the customer funded their account, the customer could instruct eToro to use those dollars to purchase crypto assets. Crypto assets that had been purchased by customers through the Trading Platform were also aggregated and maintained by eToro. Specifically, eToro—through an eToro affiliate acting as a sub-custodian—held crypto assets, including crypto asset securities, that had been purchased by customers in omnibus wallets maintained for the benefit of its customers of which eToro or its sub-custodian affiliate held the private keys. eToro maintained a separate omnibus wallet for each type of crypto asset. eToro kept internal records tracking the amount of U.S. dollars and of each crypto asset attributable to each customer.

5. On the Trading Platform, eToro displayed prices at which the customer could buy and sell certain crypto assets, including crypto asset securities. These prices consisted of bids and

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

offers provided to the Trading Platform by the eToro affiliate, plus or minus a fixed fee charged by eToro. When a customer chose to buy or sell a crypto asset on the platform, eToro routed the order to this affiliate. When a customer chose to buy a crypto asset, eToro would debit the customer's dollar balance and credit the customer's balance for that crypto asset on its internal records. Conversely, when a customer chose to sell a crypto asset on the platform, eToro would credit the customer's dollar balance and debit the customer's balance for that crypto asset on its internal records. Each day, eToro netted these U.S. dollar debits and credits and transferred the corresponding amount between the Omnibus Account and eToro's operating bank account. Moreover, at eToro's instruction, the eToro affiliate would net the quantities of each crypto asset bought and sold by eToro customers on the Trading Platform and transfer that net quantity between the affiliate's proprietary wallet and the omnibus wallet for that crypto asset. As of December 2023, eToro had approximately 240,000 customers with funded accounts.

### **Violations**

6. As a result of the conduct described above, eToro violated Section 15(a) of the Exchange Act, which makes it unlawful for a "broker" "to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security" unless such broker: (1) is registered with the Commission, (2) in the case of a natural person, is associated with a registered broker-dealer, or (3) is eligible for an exemption or exception.

7. Section 3(a)(4) of the Exchange Act defines a "broker" generally as "any person engaged in the business of effecting transactions in securities for the account of others." By arranging customers' purchase and sale of crypto asset securities, as their agent, in the manner described above, eToro acted as a broker. eToro was not, however, registered as such and no exemption or exception applied. Accordingly, eToro violated Section 15(a) of the Exchange Act.

8. As a result of the conduct described above, eToro also violated Section 17A of the Exchange Act, which requires any entity operating as a clearing agency to register with the Commission.

9. Section 3(a)(23)(A) of the Exchange Act defines a "clearing agency" as:

any person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities or who provides facilities for comparison of data respecting the terms of settlement of securities transactions, to reduce the number of settlements of securities transactions, or for the allocation of securities settlement responsibilities. Such term also means any person, such as a securities depository, who (i) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (ii) otherwise permits or facilitates the settlement of securities transactions or the

hypothecation or lending of securities without physical delivery of securities certificates.

10. As described above, eToro acted as an intermediary in making payments and deliveries in connection with its customers' transactions in crypto asset securities and periodically netting the amounts owed between the relevant counterparties. It was also responsible for the custody of crypto asset securities that customers purchased through the Trading Platform, and acted as a securities depository to facilitate settlement of securities transactions by making bookkeeping entries to reflect the transactions that occurred on the Trading Platform. Therefore, eToro also acted as a clearing agency, without being registered as such. Accordingly, eToro violated Section 17A of the Exchange Act.

### **eToro's Remedial Efforts**

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. eToro's remedial efforts include, on multiple occasions, terminating customers' ability to purchase digital assets as part of its ongoing compliance monitoring.

In addition, prior to the date of this Order, eToro publicly announced that it, going forward and subject to the carveout set forth herein, would only support trading in Bitcoin, Bitcoin Cash, and Ether. eToro now provides customers with functionality to purchase Bitcoin, Bitcoin Cash, and Ether, and no other crypto assets, for U.S. dollars. As to all other crypto assets now held in its omnibus wallets, eToro further publicly announced that it will provide its customers with functionality to sell (at a reasonable market rate) these digital assets for only the 180 days after the issuance of this Order.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent eToro's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent eToro USA LLC cease and desist from committing or causing any violations and any future violations of Sections 15(a) and 17A of the Exchange Act.

B. If, after one-hundred and eighty (180) days from the date of this Order, there are crypto assets, other than Bitcoin, Bitcoin Cash, and Ether, in any omnibus wallet attributable to one or more customers for which the ability to transfer the crypto assets is not available, eToro will liquidate any crypto asset securities in a way not unacceptable to the Commission staff within 187 days of this Order and return the proceeds to the respective customers.

C. Respondent shall, within 21 days of the entry of this Order, pay a civil money penalty in the amount of \$1,500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

D. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

E. Payments by check or money order must be accompanied by a cover letter identifying eToro as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jorge G. Tenreiro, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, N.Y.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission.

Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary