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**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

SPOT TECH HOUSE, LTD., *formerly
known as*, SPOT OPTION, LTD.,

MALHAZ PINHAS
PATARKAZISHVILI, *also known as*
PINI PETER and PINHAS PETER,

and

RAN AMIRAN,

Defendants,

2:21-cv-00632

COMPLAINT

1 Plaintiff Securities and Exchange Commission (the “SEC”) alleges:

2 1. This case concerns a multi-million dollar fraudulent scheme involving
3 unregistered offers and sales of security-based “binary options” to retail investors in
4 the United States from at least April 2012 through August 2017 (the “Relevant
5 Period”). The scheme was overseen by Malhaz Pinhas Patarkazishvili (“Pini Peter”)
6 and Ran Amiran (“Amiran”) through a company they owned and controlled called
7 Spot Option, Ltd. (“Spot Option”) now known as Spot Option Tech House, Ltd.
8 (collectively, the “Defendants”).

9 2. For the scheme to succeed, Spot Option needed to find investors who
10 could be persuaded to trade the binary options that it issued through its proprietary
11 online trading platform. To do so, Spot Option contracted with third parties, which it
12 referred to as “Partners,” “White Labels,” and “Brands” (hereinafter, “Partners”), to
13 market its binary options. Unbeknownst to investors, Spot Option structured its
14 business model so that its Partners were the counterparty on every trade. Under this
15 structure, Spot Option and its Partners made their money principally from investor
16 losses.

17 3. To make the scheme profitable, Spot Option set the payout terms on its
18 options in a way that made it likely that most investors would lose all or a substantial
19 portion of their investment within the first five months of trading. Spot Option
20 trained its Partners, however, to deceptively market the binary options as profitable
21 investments. Spot Option used additional deceptive and manipulative practices to
22 increase investors’ losses and boost Spot Options’ income stream. These practices
23 included manipulating the trading platform to increase the probability that trading
24 would be unprofitable and offering investors a so-called “bonus” to lock-up investor
25 funds and prevent withdrawals, which, when combined with the payout terms,
26 virtually guaranteed investor losses.

27 4. Through these and other deceptive and fraudulent acts, Spot Option
28 sought and reached thousands of investors in the United States, including retirees,

1 who traded through its platform. Many of those investors lost most of their money
 2 including, in some cases, hundreds of thousands of dollars meant for retirement. Spot
 3 Option and its Partners, on the other hand, raked in millions in profits.

4 5. As a result of its conduct, Defendant Spot Option violated the
 5 registration provisions of Section 5(a) and 5(c) of the Securities Act of 1933
 6 (“Securities Act”) [15 U.S.C. §§ 77e(a) and 77e(c)], the antifraud provisions of
 7 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and the antifraud provisions
 8 of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C.
 9 §§ 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

10 6. Defendants Pini Peter and Amiran are liable for violations of Section 5
 11 of the Securities Act because they each played a substantial role in Spot Option’s
 12 offers and sales of binary options. Pini Peter and Amiran are also liable for Spot
 13 Option’s violations of the Exchange Act because they are controlling persons of Spot
 14 Option as defined by the Exchange Act. The SEC seeks disgorgement of Defendants’
 15 ill-gotten gains, prejudgment interest, civil monetary penalties, an injunction against
 16 further violations of the federal securities laws as to all Defendants, a specific
 17 conduct based injunction as to the individual defendants, and other appropriate relief.

18 **SUBJECT MATTER JURISDICTION AND VENUE**

19 7. This Court has subject matter jurisdiction under Section 22 of the
 20 Securities Act [15 U.S.C. § 77v], Sections 21(d) and 27 of the Exchange Act [15
 21 U.S.C. §§ 78u(d) and 78aa], and 28 U.S.C. § 1331.

22 8. Venue is proper in this district under Section 22(a) of the Securities Act
 23 [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)]
 24 because certain of the transactions, acts, practices, and courses of conduct
 25 constituting violations of the federal securities laws occurred within this district,
 26 including offers of security-based binary options to at least one investor who in this
 27 district traded through Spot Option’s platform via a Spot Option Partner and lost a
 28

1 substantial amount of her retirement savings. Venue also is proper here under 28
2 U.S.C. § 1391(c)(3) because all Defendants reside outside of the United States.

3 **DEFENDANTS**

4 9. Spot Option Tech House, Ltd., formerly known as, Spot Option, Ltd., is
5 a private Israeli company headquartered or formerly headquartered in Israel.
6 Currently, it does not appear to be engaged in any business activities.

7 10. Malhaz Pinhas Patarkazishvili, also known as Pini Peter or Pinhas Peter,
8 age 45, resides in Israel. Pini Peter is the primary founder of Spot Option and, during
9 the Relevant Period, was an Executive Chairman, Director, and/or Chief Executive
10 Officer of Spot Option. During the Relevant Period, Pini Peter was the chief architect
11 of Spot Option's business model and business plans, had ultimate authority over Spot
12 Option's financial accounts, and was in charge of Spot Option's entire management
13 and business affairs. During nearly all of this period, he owned over 90% of Spot
14 Option's shares. On March 13, 2017, Pini Peter transferred his ownership interest in
15 Spot Option, about 94.22% of its then outstanding shares, to his wife, Limor
16 Patarkazishvili.

17 11. Ran Amiran, age 50, also resides in Israel. During the Relevant Period,
18 Amiran served first as Head of Business Development and then as Spot Option's
19 President and Director. Around March 2017, Amiran took over as Spot Option's
20 Chief Executive Officer. During the Relevant Period, Amiran owned approximately
21 2.5% of Spot Option's shares and, by the end of February 2015, was Spot Option's
22 second largest shareholder. Amiran was responsible for Spot Option's sales,
23 marketing and business development, and he managed the day-to-day relationships
24 with Spot Option's Partners.

25 **THE SCHEME**

26 12. A "binary option" is a financial instrument that expires at a
27 predetermined time where the payout is contingent on the outcome of a yes/no
28 proposition. These options are "binary" because upon expiration they carry only two

possible outcomes. If the holder's prediction is correct, he will receive a predetermined amount of money. If it is incorrect, he will forfeit all or nearly all of his investment. In one common form, the holder predicts whether a publicly-traded asset will be above or below a specific price at a specific time. The underlying referenced asset in a binary option can be a security, currency, or commodity.

13. Spot Option offered binary options based on all of these asset classes. Spot Option offered binary options based on the price of common stocks of many companies traded on United States exchanges, such as TEVA, Google, Coca-Cola, and Nike. Spot Options also offered binary options based on various indices of securities, such as the NASDAQ Composite and the Dow Jones Industrial Average. These binary options are referred to hereinafter as "security-based" binary options.

14. Binary options in which the underlying financial asset is a security or securities within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)] (including any group or index of securities) are themselves "securities" within the meaning of those provisions. The security-based binary options issued, offered, and sold by Spot Option were therefore securities.

15. Under the Securities Act, any offer or sale of securities must be registered unless an exemption applies. None of the security-based binary options offered by Spot Option were registered with the SEC, and no exemption applied.

16. Spot Option determined and structured the key terms of the binary options offered and sold through its platform. Specifically, Spot Option's platform provided investors with a choice of: (a) several forms of binary option; (b) numerous reference assets from multiple asset classes, including securities; (c) various expirations; (d) the investment amount; and (e) whether to predict the price of the reference asset would go up (*e.g.*, buy a "call" option) or go down (*e.g.*, buy a "put" option). Spot Option also set the amounts investors would receive for winning trades

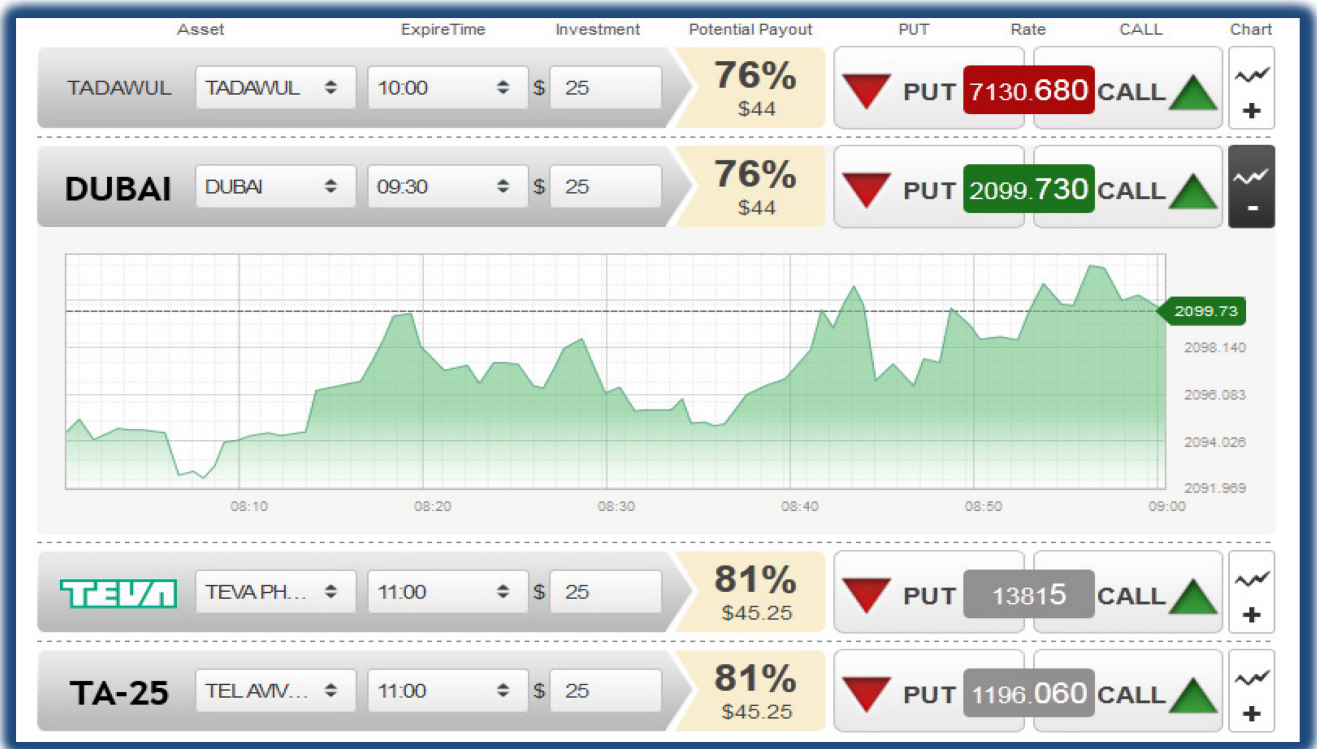
1 or would forfeit for losing trades (i.e., the profit/loss ratio), sometimes with the input
2 of the Partners.

3 17. Spot Option structured the profit/loss ratio so that on any one trade
4 investors always risked losing more money on an incorrect prediction than they stood
5 to gain on a correct prediction. Spot Option typically set the ratio at a 70% to 85%
6 profit for correct predictions and a 90% to 100% loss for incorrect predictions.
7 Defendants knew that this payout structure made it extremely difficult if not
8 impossible for investors to trade Spot Option's binary options profitably over time
9 because, on average, investors only won half of their trades.

10 18. Investors purchased binary options by accessing Spot Option's trading
11 platform via a Partner website and choosing among the binary options offered.
12 Generally, the investor then chose an underlying asset for the binary option, and the
13 trading platform displayed that asset's historical prices and current price through a
14 price ticker updated in real time. The platform also displayed the percentage profit
15 for correct predictions and the dollar amount of the return based on the amount of a
16 specific investment. The investor then chose an available expiration and predicted
17 whether, on expiration, the asset would be above or below the price at the time of
18 purchase.

19 19. Typically, after the investor selected the parameters for the option, the
20 investor executed the trade by clicking a button labelled "Apply," and/or "Approve."
21 At this juncture, the investor was immediately and irrevocably committed to the
22 purchase of the binary option.

23 20. Spot Option provided its Partners with the image shown below as an
24 example of what investors would see when accessing Spot Option's platform through
25 the Partner website:
26
27
28



21. In this example, at about 9:00 am on a 24-hour clock format, the investor is looking at information on four binary options where the underlying assets are: TADAWUL, the Saudi Arabian stock exchange, DUBAI, the Dubai stock exchange, TEVA, a pharmaceutical company with stock trading on the New York Stock Exchange, and the Tel Aviv stock exchange. The investor has chosen to view detailed information on the binary option based on the Dubai stock exchange. The detailed information includes a graph tracking the recent Dubai exchange level and showing the level at 2099.73. The investor has the option to predict whether the level of the Dubai exchange will be above ("Put") or below ("Call") 2099.73 by 9:30 am. If the investor chooses to invest the default amount, which is \$25, and makes a correct prediction, the investment will pay \$44 (a \$19 profit). If the investor makes an incorrect prediction, the investor will lose the \$25.

I. Spot Option's Partners.

22. Spot Option developed and provided its Partners with a turnkey package of products, software, and services that included nearly all of the tools necessary to offer and sell Spot Option's security-based and other binary options online to anyone.

23. Spot Option advertised to potential Partners that its package "generates great revenues with minimal efforts" and that it would enable Partners, under their own brand names, to operate an online business selling binary options in as little as four to six weeks. Spot Option described what it offered as a "business in a package" that allowed Partners to succeed "without doing the work." Spot Option similarly said that its package "generates great revenues with minimal efforts as most of the work is done by the Spot Option team." Spot Option also touted to prospective Partners the profitability of the business by noting that the average investor lost 80% of their investment within five months.

24. Spot Option offered this turnkey package to its Partners under so-called "White Label" agreements. Under these agreements, Spot Option provided: (1) a customized, "user-friendly," website resembling the website of a legitimate broker and that allowed investors to access Spot Option's trading platform; (2) website content including charts, graphs, chat features, news and tutorials for retail investors; (3) content management system or "CMS" software that allowed the brokers to create and edit content on their websites; (4) hosting and management of the Partners' websites; (5) customer relationship management or "CRM" software; (6) third-party payment processing services linked to its trading platform that allowed investors to make deposits by credit card; (7) risk management services, which Spot Option provided twenty-four hours a day, seven days a week, and described as "the core of the business;" (8) training on all aspects of Spot Option's turnkey package, including how to market binary options to retail investors; (9) assistance with affiliate marketing which generated investor leads for the brokers; (10) iPhone and Android applications for Spot Option's trading platform; (11) miscellaneous back office

1 systems and ongoing support to resolve technical or other problems with any Spot
2 Option product or service; and (12) a dedicated Spot Option account manager to
3 ensure the brokers' businesses were "running smoothly."

4 25. Investors accessed Spot Option's trading platform through the Partners'
5 websites. Many of the Partners' websites were hosted on Spot Option's server space,
6 and all were connected through the internet to the servers hosting Spot Option's
7 trading platform.

8 26. Spot Option's Partners used various brand names, such as "Bloomberg
9 Options," "Lbinary," "Ivory Option," "SpotFN," and "Banc de Binary" and claimed
10 in advertising materials that it offered and sold binary options through more than 300
11 Partners.

12 27. Because it relied on Partners to drive traders to its platform, under the
13 White Label agreements, Spot Option required its Partners to use their best efforts to
14 "advertise, market, and promote" their websites and Spot Option's "trading platform
15 as widely as possible." The agreement also required the Partners to pay Spot Option
16 an initial, fixed startup-fee and a monthly fee, which generally was calculated as a
17 percentage of the total amount of monies that investors deposited in a month less the
18 monies that Partners returned to investors in that same month.

19 **II. Spot Option Trained its Partners to Recruit Investors, Including with**
20 **False Statements; It Created False Advertising for its Partners.**

21 28. Reliant on the Partners to bring investors to its platform, Spot Option
22 trained its Partners on how to recruit and retain investors.

23 29. Spot Option gave a "welcome package" to new Partners that included
24 written training materials and sales scripts for the employees at the Partners' call
25 centers. It also offered its Partners and their employees, through the "Spot Option
26 Academy," in-person and online training on how to recruit and retain investors.

27 30. Spot Option's "welcome package" included a template for how to
28 structure a "call center" to solicit investors by telephone and email. The template

1 explained that a call center should include “conversion employees,” whose job was to
2 convince investors to deposit funds, and “retention employees,” whose job was to
3 increase the “value” of existing investors by persuading them to deposit as much as
4 possible and by encouraging them to trade. Spot Option’s template also included
5 formulas for compensating call center employees and the terms of employee bonuses
6 (including a commission structure based on investor deposits minus withdrawals).

7 31. Spot Option trained Partners’ on the “pros and cons” of various
8 marketing techniques, including “affiliate marketing,” “Pay-per-Click” advertising,
9 “Google Adwords,” web-banners, and search engine optimization.

10 32. Spot Option supported its Partners’ solicitation efforts by providing them
11 with scripts that endorsed high pressure sales tactics and included false statements.
12 Among other things, Spot Option’s scripts instructed the Partners’ call center
13 employees to tell investors that most traders earned thousands of dollars a month
14 trading binary options. For example, a Spot Option training script provided:

15 Most <Brand Name> clients produce an income of 1000s of \$ / month, just
16 from trading in their spare time on our simple, efficient, and comprehensive
17 platform.

18 *****

19 Most of our clients activate their trading account with a small deposit of 4-
20 5,000\$ to start learning how to trade and supplement, and in some cases
21 replace, their income stream.

22 33. The script also instructed Partner call center employees to convince
23 investors that the Partner’s employees and training material could teach the investor
24 to make correct predictions:

25 Using a range of simple tools provided by <Brand Name>, you can correctly
26 predict market movements due to imminently occur, allowing you to gain
27 returns of up to 85%, in as quickly as 60 seconds.

28 *****

[P]revious knowledge is not required - we provide all the tools and guidance to
become a successful trader.

1 After learning everything required for trading from our experts and educational
2 materials, our clients started to comfortably trade and make a lot of money.

3 [Y]ou can correctly predict market movements due to imminently occur,
4 allowing you to gain returns of up to 85% in as quickly as 60 seconds[.]

5 34. Spot Option's script also instructed Partner call center employees to tell
6 investors that any profits they had made were likely to continue. For example:

7 Sir, as you can see, you have made 50% return on your fund investment, within
8 only 2 days. This means you can make 150% a week, 600% a month! If you
9 leverage your investment by 10 and increase your fund to be 5,000\$, think of
how much money you would have made by now?!

10 I wouldn't recommend that you reduce your fund. You have succeeded to earn
11 XX% in X short period. Doing so, will decrease your chances to continue
12 making such an amazing income.

13 35. The scripts even instructed Partners' call center employees to tell
14 investors that "[b]inary options are a great way to make faster money with lower
15 risk."

16 36. Not only did Spot Option train its Partners to make false statements to
17 investors, it created misleading advertisements for them. For example, Spot Option
18 created and disseminated video advertisements stating that "Binary options are the
19 fastest and most efficient way to convert your financial decisions into substantial
20 profits."

21 37. All of the statements identified in paragraphs 32 through 36 were false
22 or misleading. Trading Spot Option's security-based and other binary options was
23 not a way – efficient, fast, or otherwise – to earn substantial profits; nor was it low
24 risk. The typical Spot Option investor did not earn thousands of dollars a month, was
25 not trained to make enough correct predictions, was not able to make a sufficient
26 amount of profitable trades to earn a return on his or her investment, and, ultimately,
27 lost most of his or her invested funds.

1 38. All of the above misrepresentations were material. A reasonable
2 investor would consider the likely profitability of Spot Option’s security-based and
3 other binary options highly relevant in determining whether to trade them.

4 **III. At Spot Option’s Instruction, the Partners Induced Investors to Trade**
5 **More or Refrain from Withdrawing Funds by Offering an Illusory Bonus.**

6 39. Spot Option’s platform permitted Partners to offer investors a “bonus”
7 pitched as a benefit to investors. In reality, the bonus’s purpose was to induce
8 investors to make large deposits and then prevent them from withdrawing that
9 money. Under the terms of the bonus, investors had to meet a “turnover
10 requirement.” This meant that they could not withdraw any funds from their
11 account—not even bonus funds—until they executed trades that totaled in value
12 twenty-five times or more the value of the bonus. Because on any one trade, an
13 investor always risked losing more money on an incorrect prediction than he could
14 gain on a correct prediction, the increased volume of trades caused by the turnover
15 requirement virtually guaranteed that investors lost most or all of their money before
16 they even met the turnover requirement.

17 40. The scripts that Spot Option provided to the Partners for use by their call
18 center employees included statements on how to dissuade investors who had lost
19 money from withdrawing any remaining funds. For example, one script instructed
20 Partners to offer a bonus as a lure to encourage losing investors to make additional
21 deposits. That script instructed the call centers employees to pitch the bonus as a way
22 to “recover part of the los[s]es.”

23 41. The statements that the bonus was beneficial or that it was a way for
24 investors to recoup losses were false. The bonus was really a way to induce investors
25 to make larger deposits and then prevent investors from ever withdrawing their funds.

26 42. These statements were material. A reasonable investor would want to
27 know the real reason the bonus was offered and that the bonus turnover requirements
28 would likely cause the investor to incur greater losses.

IV. Spot Option Manipulated its Platform to Influence Investors' Decisions and to Make it Easier or More Difficult for Specific Traders to Profit.

43. One of the key services that Spot Option touted on its website and in its advertising to Partners was a service called "Risk Management." Spot Option claimed to offer Partners "the most profit maximizing Risk Management available," and that its Risk Management Services "ensured" the Brand's "profitability."

44. Because the Partners' profits and Spot Option's fee came entirely from investor losses, Spot Option's Risk Management Services was advertised as a means to "ensure" and "maximize" investor losses.

45. Spot Option's Risk Management Services allowed Spot Option, on its own initiative or as requested by the Partners, to designate investors as "low," "medium," or "high" risk. The risk setting was displayed to the Partners through the CRM software. When investors made too much money, Partners requested Spot to change the investor's profile to "high risk" to make it more probable the investor's future trades would lose money. As a Spot Option employee who worked in Risk Management explained to a Partner, changing an investor's risk level to "high," "should be more aggressive and reducing his profits in the soon future."

46. On November 17, 2014, for example, a Spot Option Risk Management employee informed a Partner that Spot Option's system had placed a successful trader on the highest risk setting. "We are familiar with the client, he won some consecutive EUR/USD positions on Friday morning and won them all. Our system already put him with highest risk level. Let's hope he will keep trading." Spot Option's Risk Management employees even provided Partners with updates on the losses incurred by investors whose risk level had been increased. For example, on April 22, 2014, an employee of Spot Option emailed an employee at one of its Partners stating: "He [the investor] lost 621\$ in the last 6 days (16-22/4). Eventually, we believe the changes will do the work."

1 47. Similarly, the Partners could request that an investor be placed on a low
2 risk setting in the hopes that making profitable trades would induce reluctant
3 investors to trade or trade more, or add additional funds to their account. For
4 example, on July 10, 2014, an employee at a Partner asked his manager to “Please
5 make sure he [investor] is on low risk. I feel he is loaded.” On October 13, 2014,
6 another employee wrote, “please put [investor] on low risk until i resive [sic] more
7 money from him.” On the same day, another employee wrote “put [investor] on low
8 risk need to put more money tnx.” On June 26, 2015, to induce a particular investor
9 to deposit more funds, a Partner emailed Spot Option, “I need this client off high risk
10 because we are getting too many losses and looks bad.”

11 **V. Spot Option Never Appropriately Disclosed That Its Partners Only Made**
12 **Money When The Investors Lost Money.**

13 48. Because the Partners’ compensation, and Spot Option’s fee, were
14 dependent on investor losses, Spot Option closely monitored the Partners’
15 performance and, more specifically, the level of investor losses.

16 49. Spot Option generated periodic “Risk” and other reports in which it
17 evaluated the Spot Option Partners’ performance, as a group and at times
18 individually, on certain key aspects of their operations, which Spot Option referred to
19 as “Key Performance Indicators” or “KPIs.” Generally, these reports showed for
20 certain time periods, and among other things, how many new investors the Partners’
21 had recruited, the amounts investors had deposited to and withdrawn from their
22 trading accounts, the total dollar value of investor trading (which Spot Option
23 referred to as “turnover”), and the total dollar value of investor losses. Spot Option
24 sent Risk reports that included this data to Pini Peter and Amiran.

25 50. Spot Option developed benchmarks for certain of the KPIs that it had
26 identified, and it instructed its Partners to constantly monitor their KPIs and to meet
27 the prescribed benchmarks to improve their profitability.
28

1 51. At times, Spot Option, through a dedicated Spot Option account
2 manager, analyzed that Partner's performance on certain KPIs, and reviewed that
3 analysis with the Partner. In those reviews, Spot Option made suggestions for
4 improvements, such as hiring an employee dedicated to mobile advertising or hiring a
5 bulk email sender, and it instructed the Partners to meet the benchmarks that Spot
6 Option had established.

7 52. For example, one Spot Option account manager instructed a Partner that
8 the ratio of first-time deposits to new deposits by existing investors "should be 30-
9 70," and its turnover should be seven to ten times the value of investor deposits,
10 because that way, "[p]eople lose their money very fast."

11 53. Spot Option instructed another Partner that the average turnover "is 8-
12 10," meaning the total dollars traded should be eight to ten times the total value of
13 investor deposits. Spot Option indicated that, in one month, the Partner's turnover
14 was only approximately four times the value of total investor deposits and, as a result,
15 this month was "very bad" and the Partner should "[m]ake your customers trader [sic]
16 more."

17 54. Spot Option also instructed its Partners not to allow investors to
18 withdraw more than a small percentage of their deposits.

19 55. The Partners, as a group, successfully achieved KPI benchmarks. Spot
20 Option reports show that, for the period December 2014 through June 2016, on a
21 monthly basis, investors across all Spot Option Partners withdrew only 18% to 25%
22 of the total dollars that they deposited. These documents also show that the Partners'
23 monthly net deposits (which represented investor losses and Partner revenue),
24 correspondingly totaled approximately 75% to 82% of investors' total deposits.
25 Other Spot Option reports show that for the period January 2014 through September
26 2017, on average, investors across all Spot Option Partners lost approximately 72%
27 of their principal investments.
28

1 56. Spot Option and its Partners, however, failed to appropriately disclose to
2 investors that the Partners were the counterparty on trades or that the Partners made
3 money exclusively from investor losses.

4 **VI. Spot Option's Partners Used the Fraudulent Techniques Spot Option had**
5 **Trained them on to Offer and Sell Binary Options to U.S. Residents.**

6 57. The Partners used the fraudulent techniques Spot Option had trained
7 them on to offer and sell Spot Option's binary options to United States residents.

8 58. For example, during the Relevant Period, a Partner using the brand
9 names "BinaryBook" and "BigOption," structured its call centers to comport with
10 Spot Option's call center template. Employees working in these call centers,
11 including Lee Elbaz, Lissa Mel, Shira Uzan, Yair Hadar, Liora Welles, and Austin
12 Smith ("Partner Employees"), told prospective investors that trading Spot Option's
13 binary options was profitable, offered investors the illusory bonus, and requested,
14 directly or through a manger, that Spot Option change the risk setting for investors
15 they had recruited. As a result, they successfully recruited investors from the United
16 States who traded Spot Option's binary options.

17 59. In 2019, five of the six Partner Employees pled guilty to criminal
18 conspiracy in connection with their work. *See United States v. Mel*, 8:18-cr-00571-
19 001 (TDC) (D. Md.); *United States v. Uzan*, 8:18-cr-00608-001 (TDC) (D. Md.);
20 *United States v. Hadar*, 8:18-cr-00108-001 (TDC) (D. Md.); *United States v. Welles*,
21 8:18-cr-00613-001 (TDC) (D. Md.); and *United States v. Smith*, 8:18-cr-00087-001
22 (TDC) (D. Md.).

23 60. Specifically, these employees admitted to making false statements to
24 United States investors about the profitability of trading Spot Option's binary options
25 and to offering United States investors the illusory bonus (described above).

26 61. Following a trial, the remaining sixth Partner Employee was convicted
27 of wire fraud and conspiracy to commit wire fraud, sentenced to 264 months of
28 imprisonment, and ordered to pay \$28 million in restitution to investors, which

1 obligation was shared jointly and severally with the other Partner Employees. *United*
2 *States v. Elbaz*, 8:18-cr-00157 (TDC) (D. Md.), Dkt. No. 394 (Aug. 7, 2020).

3 62. During the Relevant Period, the investors recruited by the six Partner
4 Employees on behalf of Spot Option lost over \$28 million trading Spot Option's
5 security-based and other binary options.

6 **VII. Pini Peter and Amiran Exercised Authority and Control over Spot Option**
7 **and Knew of Spot Option's Fraud and Unregistered Offers and Sales.**

8 63. Both Pini Peter and Amiran owned and had the power to control Spot
9 Option's actions during the Relevant Period.

10 64. Pini Peter was Spot Option's majority shareholder from at least August
11 2011 to March 2017, when Pini Peter transferred all of his shares to his wife. Under
12 Spot Option's Articles of Association, as CEO, Pini Peter was entitled to exercise all
13 corporate powers not specifically reserved to others by law or by the Articles,
14 including the power to appoint and dismiss all other corporate officers and directors,
15 to direct the overall management of Spot Option, and to create and implement Spot
16 Option's business strategy.

17 65. Amiran was Spot Option's second-largest shareholder from at least
18 February 2015 through the present. From 2009 to 2016, Amiran served as the head
19 of Business Development at Spot Option and, from 2016 onward, served as Spot
20 Option's President and, from around March 2017, its CEO. In these roles, Amiran
21 had authority over Spot Option's global sales, marketing, business development, and
22 day-to-day relationships with the Partners.

23 66. Not only did both Pini Peter and Amiran have the power to control Spot
24 Option's actions, Pini Peter approved all major decisions at Spot Option, both Pini
25 Peter and Amiran directed Spot Option employees' work activities, and they each
26 actively participated in Spot's core business. Among other things:

27 (a) Pini Peter attended trade shows to recruit new Partners, telling
28 them to "stick with me" so that they would become "millionaires."

1 (b) Pini Peter collaborated with Spot Option's Risk Management
2 office, which among things suspended trading on certain assets or prohibited
3 investors from using certain trading strategies in circumstances where investors
4 were profiting from trades on those assets or strategies;

5 (c) Pini Peter instructed a Spot Option employee to step in and serve
6 as a Partner's marketing manager;

7 (d) Pini Peter and Amiran spoke at training sessions for Spot Option's
8 sales team;

9 (e) Pini Peter and Amiran received periodic reports showing investor
10 deposits, withdrawals, and losses for each Spot Option Partner with each
11 Partner ranked from most to least profitable;

12 (f) Subordinates provided or copied Pini Peter and Amiran on
13 periodic reports and updates showing the status of Spot Option's efforts to
14 create new Partner websites through which Partners could recruit new
15 investors;

16 (g) Subordinates notified Pini Peter of the date, identity, and amount
17 of deposits made by specific investors;

18 (h) Pini Peter and Amiran were often cited as the final authority on
19 billing issues concerning the company's Partners;

20 (i) Pini Peter and Amiran directed Spot Option employees to prepare
21 software guides for the Partners; and

22 (j) Amiran was closely involved in analyzing and specifying the
23 terms of Spot Option's binary options and directed employees to adjust the
24 terms for certain binary options. For example, Amiran told Spot Option
25 employees that an internal analysis showed that increasing the default
26 investment amount for certain binary options from \$5 to \$10 increased trading
27 volume in those options by 20%. Based on that analysis, he instructed a Spot
28 Option employee to raise the default investment amount to \$10.

1 (k) Subordinates provided or copied Pini Peter and Amiran on
2 periodic reports showing the number of Partners that signed new contracts with
3 Spot Option;

4 (l) Subordinates provided Pini Peter and Amiran with status updates
5 as to the implementation of a new Spot Option platform feature and sought
6 input from them as to whether any Partners had encountered problems with the
7 feature;

8 (m) Pini Peter and Amiran negotiated key terms and executed, on
9 behalf of Spot Option, the contracts between Spot Option and the Partners;

10 (n) Pini Peter and Amiran served as points of contact for Partners
11 when there were problems with Spot Option's platform that the Partners were
12 unable to resolve with lower-level Spot Option employees;

13 (o) Pini Peter and Amiran participated in meetings with the Partners;

14 (p) Pini Peter directed the negotiations of a collection dispute with at
15 least one Partner; and

16 (q) Pini Peter participated in negotiations of contracts between Spot
17 Option and vendors such as NASDAQ;

18 (r) Pini Peter himself set the deadlines by which various Partners had
19 to move the websites Spot Option had created for them off of Spot Option's
20 servers.

21 67. As owners, they were motivated to cause Spot Option to engage in fraud
22 to maximize its profits. As Spot Option's senior-most officers engaged in Spot
23 Option's day-to-day business activities, they knew of Spot Option's core operations,
24 which included: instructing Partners that they needed to retain at least 70% of all
25 investor deposits; monitoring whether Partners were meeting this benchmark and
26 assisting them in doing so; training Partners to recruit investors; training Partners to
27 offer illusory bonuses; and changing investor risk settings.

1 68. Pini Peter and Amiran knew, or at a minimum were reckless in not
2 knowing, that most Spot Option investors lost between 70% and 80% of their funds,
3 because they were copied on monthly KPI reports. Pini Peter and Amiran also knew,
4 or was reckless in not knowing, that Spot Option trained Partners to make the false
5 and misleading statements set forth in Spot Option's sales scripts, including false
6 statements that investors were likely to profit trading Spot Option's binary options.
7 Indeed, Amiran was copied on an email to one Spot Option Partner that included the
8 false and misleading sales scripts described above.

9 69. During the Relevant Period, Spot made millions of dollars in connection
10 with the offer and sale of security-based binary options.

11 **VIII. Defendants' Contacts with the United States.**

12 70. Spot Option contracted with service providers in the United States to
13 obtain software, server space, stock market data feeds, and other services needed to
14 support its operations. Those providers included NASDAQ, Amazon.com, Inc.,
15 Alphabet Inc. (Google Cloud), Imperva/Incapsula, Fresh Desk, and Go
16 Daddy. NASDAQ, among other things, provided data feeds showing the market
17 price of securities and securities indices traded in the United States, which Spot
18 Option used in the offer and sale of binary options. Amazon, Google, and Imperva
19 provided a variety of services to Spot Option's online sales operations and the
20 functioning of its trading platform, including through servers at least some of which
21 were located in the United States. Pini Peter was the billing contact and payor on
22 Spot Option's contract with Amazon to obtain server space and other services; he
23 participated in the negotiations of Spot Option's initial contract with NASDAQ; and
24 he registered the Spot Option domain name with Go Daddy and was the billing
25 contact.

26 71. Spot Option knew that several of its Partners sold Spot Option's binary
27 options to United States residents because Spot Option controlled and/or accessed the
28

1 CRM for each Partner that tracked, among other things, each investor's name,
2 telephone number, email address, nationality, and trading information.

3 72. Throughout most of the Relevant Period, Spot Option serviced the
4 Partner websites, including those of Partners soliciting U.S. investors. Pini Peter and
5 Amiran did not terminate Spot Option's contracts with these Partners after various
6 United States law enforcement agencies filed actions against participants in the
7 binary options industry. Instead, they merely directed Partners who sold binary
8 options to United States residents to transition the hosting for their websites to other,
9 non-Spot Option servers. Afterwards, Spot Option continued to allow United States
10 investors recruited by its Partners to access its platform and trade binary options.

11 73. At least three Spot Option Partners who solicited U.S. investors had
12 physical operations in the United States. One of those Partners operated the
13 "CiTrades" and "VIP Citirader" brands, another operated the "OptionMint" brand,
14 and a third operated the "SpotFN" brand. Pini Peter and Amiran knew that Spot
15 Option had contracted with these Partners because they personally approved new
16 Partners and negotiated certain terms of Partner agreements. Amiran, for example,
17 negotiated the Partner fees with the owner of the CiTrades brand, and Pini Peter
18 signed Spot Option's agreement with the owner of the SpotFN brand.

19 **FIRST CLAIM FOR RELIEF**

20 **Unregistered Offer or Sale of Securities in**
21 **Violations of Section 5 of the Securities Act**
22 **(All Defendants)**

23 74. Paragraphs 1 through 73 are realleged and incorporated by reference
24 herein.

25 75. Through Spot Option's trading platform and by means of Spot Option's
26 Partners and the other methods and acts described above, the Defendants, directly or
27 indirectly, made use of means or instruments of transportation or communication in
28 interstate commerce, including the telephone and internet, to offer to sell or to sell to

1 residents of the United States binary options in which the underlying asset was a
 2 security or security-based index, including based on the price of common stock and
 3 the level of stock indices. Defendants Pini Peter and Amiran each played a
 4 significant participating role and were therefore necessary participants and substantial
 5 factors in Spot Option's offers and sales.

6 76. No registration statement was filed or was in effect with the SEC for any
 7 of the security-based binary options offered or sold by the Defendants.

8 77. By reason of the foregoing, Defendants violated, and unless enjoined
 9 will again violate, Section 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e].

10 **SECOND CLAIM FOR RELIEF**

11 **Fraud in Connection with the Purchase or Sale of Securities** 12 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder** 13 **(Spot Option)**

14 78. Paragraphs 1 through 73 are realleged and incorporated by reference
 15 herein.

16 79. Spot Option, by engaging in the conduct described above, directly or
 17 indirectly, by use of the means or instruments of interstate commerce, or of the mails,
 18 or the facility of a national securities exchange, in connection with the purchase or
 19 sale of securities, and with knowledge or recklessness: (a) employed devices,
 20 schemes, or artifices to defraud; (b) made untrue statements of material fact or
 21 omitted to state material facts necessary to make the statements made, in light of the
 22 circumstances under which they were made, not misleading; and/or (c) engaged in
 23 acts, practices, or courses of business which operated or would operate as a fraud or
 24 deceit upon any person.

25 80. By reason of the foregoing, Spot Option violated, and unless enjoined
 26 will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule
 27 10b-5 thereunder [17 C.F.R. § 240.10b-5].
 28

THIRD CLAIM FOR RELIEF

**Fraud in the Offer or Sale of Securities
Violations of Section 17(a) of the Securities Act
(Spot Option)**

81. Paragraphs 1 through 73 are realleged and incorporated by reference herein.

82. Spot Option, by engaging in the conduct described above, in the offer or sale of securities, by the use of means of instrumentalities of transportation or communication in interstate commerce or by use of the mails directly or indirectly: (a) knowingly or recklessly employed devices, scheme or artifices to defraud; (b) knowingly, recklessly, or negligently obtained money or property by means of any untrue statements of material fact, or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) knowingly, recklessly or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities.

83. By reason of the foregoing, Spot Option violated, and unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

FOURTH CLAIM FOR RELIEF

**Control Person Liability under Section 20(a) of the Exchange Act for Spot
Option's Violations of Section 10(b) of the Exchange Act and Rule 10b-5
(Pini Peter and Amiran)**

84. Paragraphs 1 through 73 and the Second Claim for Relief are realleged and incorporated by reference herein.

85. During the Relevant Period, Defendants Pini Peter and Amiran each was a controlling person of Spot Option for purposes of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], directly or indirectly controlling the operations of Spot Option.

86. Defendants Pini Peter and Amiran cannot establish that they did not directly or indirectly induce the acts of the Spot Option that constitute violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, nor that they acted in good faith.

87. Defendants Pini Peter and Amiran are therefore liable as controlling persons under Section 20(a) of the Exchange Act to the same extent as Spot Option would be liable for violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

RELIEF REQUESTED

WHEREFORE, the SEC respectfully requests that this Court:

(a) Find that Defendants committed the alleged violations;

(b) Order Defendants to disgorge, with prejudgment interest, all ill-gotten gains they received or derived from the activities set forth in this Complaint, and to repatriate any ill-gotten funds or assets they caused to be sent overseas;

(c) Order Defendants to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

(d) Permanently enjoin all Defendants from directly or indirectly violating Section 5 of the Securities Act [15 U.S.C. §§ 77e] and Sections 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

(e) Permanently enjoin Spot Option from directly or indirectly violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)];

(f) Grant specific conduct-based injunctions against Defendants Pini Peter and Amiran;

(g) Retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that it may enter, or to entertain

1 any suitable application or motion for additional relief within the jurisdiction of
2 this Court; and

3 (h) Grant such other relief as may be necessary or appropriate.
4

5 Dated: April 16, 2021

Respectfully submitted,

6
7 /s/ Kenneth W. Donnelly

8 KENNETH W. DONNELLY

9 SAMANTHA M. WILLIAMS

MELISSA ARMSTRONG

10 Attorneys for Plaintiff

11 Securities and Exchange Commission
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