Press Release

SEC Charges Day-Trading Education Firm for Unregistered Security-Based Swap Transactions

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Washington D.C., Oct. 23, 2020 —The Securities and Exchange Commission today charged Israeli company Tradenet Capital Markets Ltd. for offering and selling security-based swaps to over 5,000 retail investors without registration and for failing to transact its swaps on a registered national exchange.

According to the SEC's order, from November 2017 to June 2020, Tradenet sold investors packages of materials that claimed to be for the purpose of educating investors about day trading but also paid investors a portion of net profits from simulated trades conducted in a funded trading account provided as part of the packages. As set forth in the order, Tradenet charged from $500 to $9,000 for the educational packages that included the simulated trading accounts. According to the order, investors whose portfolios increased in value received payouts equal to a percentage of the simulated net profits, but if the value of the portfolio decreased by a certain amount, the funded trading account was closed. The SEC's order finds that the contracts to provide funded trading accounts were security-based swaps under the U.S. federal securities laws. The SEC's order further finds that no registration statement had been filed for the swaps, and that the swaps were not sold through a national securities exchange.

"Companies seeking to sell U.S. retail investors synthetic exposure to stocks must ensure compliance with the federal securities laws," said Daniel Michael, Chief of the Complex Financial Instruments Unit. "We will continue to watch the market for unregistered offerings of security-based swaps."

The SEC's order finds that Tradenet violated provisions of the federal securities laws concerning unregistered offers and sales of security-based swaps and requiring that certain swap transactions occur on a registered national exchange. Without admitting or denying the findings in the order, Tradenet consented to a cease-and-desist order and agreed to pay a penalty of $130,000.

The SEC's investigation was conducted by Brent Mitchell and Gregory Smolar of the SEC's Complex Financial Instruments Unit and supervised by Assistant Director Natalie Brunson. The SEC appreciates the assistance of the Cyprus Securities and Exchange Commission.

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