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## Investor Alert Regarding Binary Options

*The Ohio Division of Securities is cautioning investors about schemes related to binary options amid the proliferation of online binary option platforms and a growing number of related investor complaints. This release provides information and resources to help investors better understand binary options, their risks and where to turn for help.*

*The release also lists common investor complaints and offers common tactics and warning signs of schemes related to binary options, including: unsolicited investment offers, high-pressure sales tactics, personal information requests, and a lack of information about the offering firm or its management.*

### What is a Binary Option?

A binary option is a type of all-or-nothing investment contract. When an investor purchases a binary option contract, the investor predicts the value of an underlying asset (currency, stock, etc.) at a predetermined time or date in the future. If the investor correctly predicts the asset price at the end of the contract, which can be just a matter of minutes, the investor receives the payout agreed upon in the contract. If the investor is incorrect, there is no payout and the investor loses the amount invested in the binary option.

### Common Investor Complaints

Much of the binary option market operates through internet-based trading platforms. Such platforms often are not compliant with U.S. or Canadian regulatory requirements. In recent years, the number of unregistered platforms offering binary options has surged, resulting in an escalation of complaints to securities regulators. These complaints address the inherent risks in binary options as well as unrelated issues, such as false or misleading disclosures or theft of investors' assets. Complaints have included:

- Investors' funds not being deposited into their accounts;
- Firms refusing to return deposited funds to investors;
- Salespeople using high-pressure tactics or financial threats;
- Unauthorized charges found on credit cards used to invest through a binary options website;
- Representatives demanding excessive fees when withdrawal requests are made;
- Follow-up calls offering to recover losses for an excessive fee; or
- Calls from people claiming to work for, or on behalf of, a government agency.

### Binary Option Cases in Ohio

"I would compare investing in binary options to placing a bet," said Ohio Securities Commissioner Andrea Seidt. "Like the flip of a coin, there are only two possible outcomes: heads you win or tails you lose."

For example, in 2014 a binary options platform operating from the United Kingdom lured at least one Ohioan into investing \$50,000 based on false and fraudulent statements, including touting the security of the investment and inflated returns up to 500 percent.

“That kind of return on an investment should immediately raise a red flag,” said Seidt. “I would urge Ohio investors, prior to investing any money, to contact us to verify whether the binary options trading platform and any associated individual you are working with is licensed to do business in Ohio. Investors need to fully understand all of the risks associated with any investment and they should seek advice from individuals and firms properly licensed by the Division of Securities.”

Seidt said that in the past two years, the Division has issued three cease-and-desist orders against operators of binary option platforms, and recently issued a Notice of Opportunity for Hearing (NOH) to the operators of another binary option platform, BinaryRoom365. A NOH details allegations by the Division for violations of the Ohio Securities Act and gives the respondent notice of their right to an administrative hearing.

“Our Enforcement Section is doing great work identifying and investigating binary options platforms, and has been successful in directly shutting down at least one website, Binary Trading Experts, through our Division Order,” Seidt said. “The challenge is to find these website operators and shut them down before they take advantage of investors. It’s like playing ‘whack-a-mole’; when one site is shut down, the operators open up a new one.”

### **What are the Warning Signs of Online Binary Options Schemes?**

Offering binary options contracts through a website is attractive to scammers because they can reach potential investors in numerous countries while masking their true identities and locations. Look for these warning signs:

- **Unsolicited investment offers** – emails or phone calls from an unknown person or firm directing you to a binary option website offering high returns;
- **High-pressure sales tactics** – threatening calls or emails from representatives of binary options websites;
- **Personal information requests** – claims from representatives of binary options websites that the government requires copies or photographs of your passport, driver’s license, credit cards, etc.; and
- **Lack of management/firm information** – websites that are vague on details about who manages or works at the company or where it is actually located.

For more details about binary options, visit:

[http://com.ohio.gov/documents/secu\\_BinaryOptionsAlert.pdf](http://com.ohio.gov/documents/secu_BinaryOptionsAlert.pdf)

If you believe you may be a victim of this type of investment, or to avoid any potential financial fraud, call the Division’s Investor Protection Hotline at 877-683-7841. Before investing money with anyone, consumers should ask:

- Is the brokerage firm and salesperson licensed to sell securities in Ohio?
- Have any enforcement actions been taken against them?
- Has the security been properly registered with the Division of Securities?

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