

**ALABAMA SECURITIES COMMISSION**

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**INVESTOR ALERT: Alabama Securities Commission Issues Binary Options Advisory**

MONTGOMERY, ALABAMA (September 13, 2017) The Alabama Securities Commission (ASC) 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. The advisory provides information and resources to help investors better understand binary options, their risks and where to turn for help.

The advisory (see pages 2-4) also discusses 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.

The full advisory is available on the ASC website, [www.asc.alabama.gov](http://www.asc.alabama.gov). Before making any financial decisions, ask questions, do your homework and contact the Alabama Securities Commission, toll-free, **1-800-222-1253**.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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**[Informed Investor Advisory: Binary Options \(Pages 2-4\)](#)**

# Informed Investor Advisory: Binary Options

*Are you an informed investor?*

## Beware of Online Binary Option Schemes

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*In November 2015, NASAA cautioned investors that binary options were on the verge of becoming the “[Next Big Thing](#).” Since then, several regulators have issued alerts about the proliferation of online binary options platforms and the growing number of related investor complaints. The following information updates and expands NASAA’s 2015 advisory.*

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### What is a Binary Option?

A binary option is a type of all-or-nothing investment contract, similar to placing a bet. Like the flip of a coin, there are only two possible outcomes: heads you win or tails you lose. 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 ó similar to placing a bet. 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.

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### 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.
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### 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. They will use a number of tactics to get you to invest.

Look for these warning signs:

- **Unsolicited investment offers** ó emails or phone calls from an unknown person or firm directing you to a binary option website offering high returns;
  - **High-pressure sales tactics** ó threatening calls or emails from representatives of binary options websites;
  - **Personal information requests** ó 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** ó websites that are vague on details about who manages or works at the company or where it is actually located.
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## Beware of the Binary Options Reload Scheme

In binary options schemes, it is common for scammers to target the investor a second time by claiming to be affiliated with a government agency. For a fee, they offer to help the investor recover money previously lost in the binary options scam. This is called a "reload."

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## How Can Investors Protect Themselves?

Offering investment services or products, whether online or in-person, is a regulated activity overseen by securities regulators.

In the United States, some binary options list on regulated exchanges or trade on a designated contract market and are subject to regulatory oversight. In Canada, no business is currently registered or authorized to market or sell binary options.

Before making an investment decision,

*U.S. investors should check all of the following:*

- The Commodity Futures Trading Commission's (CFTC) website to see if the binary options trading platform is a [designated contract market](#);
- The Securities and Exchange Commission's (SEC) website to find out if a binary options trading platform is a [registered exchange](#);
- The SEC's [EDGAR system](#) to see if the binary options platform listed the offer and sale of the investment;
- Your [state securities regulator](#), FINRA's [BrokerCheck®](#) and the [National Futures Association's Background Affiliation Status Information Center \(BASIC\)](#) to check the registration status and background of any firm or financial professional.

*Canadian investors should check all of the following:*

- The Canadian Securities Administrators (CSA) [National Registration Search](#) to determine if an individual or firm is registered to sell investments to Canadians; and
- The CSA's [Disciplined List](#) to see if an individual or firm is on the list.

### **Additional Information**

- [Informed Investor Advisory: The Next Big Thing](#) (NASAA)
  - [Investor Alert: Binary Options Websites May Be Used for Fraudulent Schemes](#) (SEC)
  - [Canadian Securities Administrators Urge Canadians to Protect Themselves Against Binary Options Fraud](#) (CSA)
  - [Beware of Off-Exchange Binary Options Trades](#) (CFTC)
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### **The Bottom Line**

Before making any financial decisions, ask questions, do your homework and contact the Alabama Securities Commission (ASC). Posted: September 2017

*The ASC is an active member of NASAA. NASAA has provided this information as a service to investors. It is neither a legal interpretation nor an indication of a policy position by NASAA or any of its members, the state and provincial securities regulators. If you have questions concerning the meaning or application of a particular state or provincial law or rule or regulation, or a NASAA model rule, statement of policy or other materials, please consult with an attorney who specializes in securities law.*

For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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