

IOSCO STATEMENT



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

STATEMENT ON CONCERNS RELATED TO BINARY OPTIONS

19 September 2018

The Board of the International Organization of Securities Commissions (IOSCO) is issuing this statement to warn the public of the risks of investing in illegal or fraudulent binary options.

Binary options are contracts in which the pay-out is based on the performance of an underlying asset, such as a currency, commodity, stock index or share. Typically, the investor wagers on whether the value of the underlying will rise or fall by a specific minimum amount within a generally short, specific timeframe. At expiry, investors face only two possible outcomes: either reap the pre-determined gain or suffer the loss of their entire investment. Unsophisticated investors may lack the technical competence to calculate the expected value of the transaction, which is often negative.

Some binary options are listed on registered exchanges that are subject to the oversight of securities or derivatives regulators. However, investment in listed or exchange-traded binary options represents only a small portion of transactions involving these products. Binary options are frequently marketed and traded on Internet-based trading platforms and social media channels that may be difficult to monitor or regulate, or that may fail to comply with applicable laws or regulations. Binary options providers use online solicitation, promotion, advertising and mobile apps to target retail investors. They also permit investment by credit card payments.

In several jurisdictions, securities and derivatives regulators have received numerous complaints about the offer and sale of illegal or fraudulent binary options and the losses that investors incur from transacting in these products. People around the world have suffered massive losses investing in illegal or fraudulent binary options. Even when a regulator disrupts or takes other action to shut down the illegal activity, investors are not likely to recover their money.

IOSCO members are responding proactively to unauthorized or fraudulent sales of binary options through case-specific, cross-border cooperation within the framework of the IOSCO Multilateral Memorandum of Understanding.

Regulators in many jurisdictions also have taken various proactive and preventative steps in addition to disruptive enforcement action, including issuing public warnings about the risks of

investing in binary options, banning their promotion and, in collaboration with global mobile app providers, prohibiting the use of apps to facilitate trading in binary options.

IOSCO believes that the public, in particular investors and regulated firms, must be alert to unauthorized or fraudulent solicitation relating to binary options. Set out below are various links describing measures that some regulators have taken regarding these products, including educating investors, introducing legislative changes, taking enforcement action, disrupting the service of providers in collaboration with global third-party entities and posting public alerts with the names of unlicensed or illegal entities. IOSCO encourages the public to review these links to understand the risks and to identify the 'red flags' to avoid becoming a victim of unauthorized or fraudulent binary options activity:

Australia

<https://www.moneysmart.gov.au/investing/complex-investments/futures-and-options/binary-options>

<https://www.moneysmart.gov.au/scams/companies-you-should-not-deal-with>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-024mr-asic-warns-of-opteck-and-other-unlicensed-binary-option-providers/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-142mr-asic-warns-investors-about-services-advertised-by-top-ten-binary-brokers-also-known-as-top-10-binary-brokerscom-top-ten-binary-brokers/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-189mr-asic-warns-investors-about-dealing-with-gooptions-porterfinance-boss-capital-maxoptions-bloombex-options-citrades-rboptions-and-optionsxo/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-218mr-asic-crackdown-on-unlicensed-retail-otc-derivative-providers/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2017-releases/17-257mr-asic-targets-unlicensed-binary-option-mobile-apps/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2017-releases/17-378mr-operators-of-binary-options-trading-boiler-room-convicted-and-sentenced/>

<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2017-releases/17-391mr-asic-takes-further-action-in-allianz-metro-binary-option-trading-investigation/>

Belgium

<https://www.fsma.be/en/news/fsma-regulation-establishes-framework-distribution-otc-derivatives-binary-options-cfds>

<https://www.fsma.be/en/binary-options-and-forex>

Canada

http://www.osc.gov.on.ca/en/NewsEvents_nr_20170928_canadian-regulators-announce-ban-on-binary-options.htm

<http://www.binaryoptionsfraud.ca/>
<https://lautorite.qc.ca/en/general-public/fraud-prevention/binary-options-101/>
http://www.osc.gov.on.ca/en/Proceedings_rad_20171011_tcm-investments.htm

France

<http://www.amf-france.org/Epargne-Info-Service/Proteger-son-epargne/Forex-options-binaires-un-marche-a-fuir>

Israel

http://www.isa.gov.il/sites/ISAEng/1489/1511/Pages/eitonot25102017_1.aspx

Japan

<http://www.fsa.go.jp/en/refer/cold/index.html>

http://www.ffaj.or.jp/userfiles/file/pdf/teikan_syokisoku/binary/ffaj-binary_guideline-English.pdf

http://www.ffaj.or.jp/userfiles/file/pdf/teikan_syokisoku/binary/ffaj-binary_kisoku-English.pdf

Netherlands

<https://www.afm.nl/en/nieuws/2016/sep/reclameverbod-binaire-opties>

New Zealand

<https://fma.govt.nz/investors/ways-to-invest/binary-options/>

Singapore

<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2017/MAS-Cautions-Investors-on-Risks-in-Trading-Binary-Options-with-Unregulated-Platforms.aspx>

<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2018/CAD-and-MAS-warn-investors-about-trading-on-unregulated-online-platforms.aspx>

Spain

<http://cnmv.es/portal/verDoc.axd?t={f38436a3-cf38-4a2d-ab07-830d7d525ddc}>

United Kingdom

<https://www.fca.org.uk/scamsmart/binary-options-scams>

<https://www.fca.org.uk/consumers/binary-options>

Italy

http://www.consob.it/web/area-pubblica/dettaglio-news/-/asset_publisher/qjVSo44Lk1fI/content/comunicazione-consob-a-tutela-dei-risparmiatori-sui-rischi-legati-a-investimenti-in-cfd-e-opzioni-binarie/10194

ESMA

<https://www.esma.europa.eu/press-news/esma-news/esma-agrees-prohibit-binary-options-and-restrict-cfds-protect-retail-investors>

https://www.esma.europa.eu/sites/default/files/library/esma71-99-1026_-_esma_to_renew_prohibition_on_binary_options_for_a_further_three_months.pdf

United States

SEC

<https://www.investor.gov/investing-basics/avoiding-fraud/types-fraud/binary-options-fraud>

CFTC

http://www.cftc.gov/ConsumerProtection/FraudAwarenessPrevention/CFTCFraudAdvisories/fraudadv_binaryoptions

<http://www.cftc.gov/PressRoom/PressReleases/pr7341-16>

FINRA

<https://www.sec.gov/news/pressrelease/2016-236.html>

<http://www.finra.org/investors/alerts/binary-options>

<http://www.finra.org/investors/alerts/binary-options-follow-schemes-dont-lose-money-twice>

In addition, to further support the efforts already made by IOSCO members on addressing the risks in retail OTC leveraged products, IOSCO has developed three toolkits on:

- policy measures with guidance for the regulation of the offer and sale of these products by intermediaries;
- investor education material with guidance about these products and firms; and
- enforcement approaches and practices to address and mitigate the risks posed by unlicensed firms offering these products to retail investors.

The three toolkits can be found in the [Report on Retail OTC Leveraged Products](#), which was published simultaneously with this Statement.