



# Binary Options Fraud

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## BINARY OPTIONS FRAUD

The purpose of this alert is to update police forces, regulatory bodies and the general public to the situation with regards Binary Options fraud in the UK and to reiterate the inherent risks that exist with these types of investments.

## ALERT CONTENT

### Summary

In June 2016 the National Fraud Intelligence Bureau (NFIB) warned the public about the threat that 'investments' in Binary Options pose. Not only were the inherent risks in these types of 'investments' downplayed by the companies offering them, but many of these companies were actively running fraudulent schemes whereby no actual trading took place – the 'investment' pitch was just a con to steal money.

### What Are Binary Options?

Binary Options are called 'binary' because there can be only two outcomes – win or lose. To trade, all you need to do is bet on whether the price of something will rise or fall below a certain amount - if it is correct, you win and get paid. If not, you lose all of the money you originally invested.

The NFIB has received multiple reports whereby Binary Options companies have refused to credit customer accounts despite the customer believing they had made a profit. It is our belief that the software controlling the trading platforms is being manipulated by the companies to distort prices and payouts, showing customer accounts to be in profit whilst they are paying in; but then 'losing' all the accumulated funds in a series of trades when the customer tries to withdraw their money. It is unlikely that any money was ever traded on behalf of the customer and their 'profits' never actually existed. The brokers were simply trying to get the victims to invest further money.

### The Current Situation

Advertisements for Binary Options traders appear online with many companies aggressively targeting social media platforms with flashy commercials promising impressive returns. Binary Options websites are often well-designed and professional looking – no expense is spared in trying to look legitimate.

Brokers and traders, often working from scripts, will sound friendly, professional and knowledgeable. They will be paid on commission and have no interest in ever making successful trades for the 'investor'. In fact, we believe they will often use the victim's credit and personal information to access further funds without the victim's knowledge.

Whilst many Binary Options companies claim to be located in the UK, research by the NFIB has revealed that the vast majority are based abroad and have no physical presence here. Shell companies are registered in various financial jurisdictions and money is routed through multiple accounts, obscuring the perpetrators and hampering law enforcement efforts.

### Law Enforcement Response

Despite the fact that the majority of Binary Options companies operate from outside of the UK, the NFIB continues working with UK and international law enforcement partners and the banking industry to tackle the issue by implementing changes, either by introducing an outright ban or through rigorous regulations to control this activity.

We advise UK victims and all those who have been targeted by UK based Binary Options companies or paid money into UK bank accounts, whether residing in the UK or not, to report to Action Fraud.

In addition the United States Federal Bureau of Investigation (FBI) are currently developing a global picture of this type of fraud and welcome reports from the victims of Binary Options made via their website [www.ic3.gov](http://www.ic3.gov).

## PROTECTION / PREVENTION ADVICE

- Be suspicious of any approach via social media as many fraudsters tend to operate via social media due to the anonymity it allows. Carry out as much research on the company/details provided as possible.
- Do not give out personal or financial details and never agree to anything or send money upfront, without making your own enquires into the company or individual first
- Further advice on Binary Options fraud can be found online at the Action Fraud website and those of our partners at the Gambling Commission and Financial Conduct Authority:
  - <http://www.actionfraud.police.uk/news/fraudsters-claim-binary-options-are-being-used-for-investment-scams-jun16>
  - <http://www.actionfraud.police.uk/news/beware-of-fraudsters-on-social-media-stock-markets-aug16>
  - <http://www.gamblingcommission.gov.uk/for-the-public/Safer-gambling/Consumer-guides/Betting/Binary-options-trading.aspx>
  - <https://www.fca.org.uk/consumers/binary-options-uk>
- Visit [www.getsafeonline.org](http://www.getsafeonline.org) for advice on how to stay safe online
- If you have been contacted by a suspicious firm or have been affected by this, or any other fraud, report it to Action Fraud by calling **0300 123 2040**, or visiting [www.actionfraud.police.uk](http://www.actionfraud.police.uk)
  - Please have to hand any contact details for the suspect(s) including addresses, phone numbers and email addresses; and any details of payments made to the suspect(s) bank accounts (these can be obtained from your own bank if required) including account numbers, sort codes, payee names and/or references and IBAN and SWIFT numbers if payments were sent abroad.

Please also consider reporting any suspect companies to the FBI via their website [www.ic3.gov](http://www.ic3.gov)

## FEEDBACK

The NFIB needs feedback from our readers to evaluate the quality of our products and to inform our priorities. Please would you complete the following NFIB feedback survey through: <https://www.surveymonkey.com/r/FeedbackSDU>. This should take you no more than 2 minutes to complete. If you have other feedback or additional information that you would prefer to provide by email please send to [NFIBfeedback@cityoflondon.pnn.police.uk](mailto:NFIBfeedback@cityoflondon.pnn.police.uk).

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