

Wisconsin Department of Financial Institutions: State agency urges investors to be cautious of binary options

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MADISON – The Wisconsin Department of Financial Institutions (DFI) is cautioning investors about schemes related to binary options amid the proliferation of online platforms and a growing number of related investor complaints.

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 – 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 in the binary option.

“We encourage investors to be very cautious if they are considering binary options,” said Leslie Van Buskirk, Administrator of DFI’s Division of Securities. “The complaints we have received have all involved various companies outside the U.S., some of which used registration with the Cyprus Securities Exchange Commission as a badge of legitimacy. However, such registration does not negate the requirement that the binary options as well as the firms and agents who sell them be registered with state and federal authorities as required by our laws.”

Van Buskirk encouraged investors to verify the registration status of a binary option offering with the Securities and Exchange Commission, the Commodity Futures Trading Commission or DFI's Division of Securities.

"In addition to the lack of registration, these companies greatly exaggerate the investor's odds of 'winning.' As is the case with any investment opportunity, ask a lot of questions, read the fine print on any and all documents, and don't be afraid to walk away from an investment that seems too good to be true," Van Buskirk said.

She also offered these tips for investors:

- Never send money to anyone you know only from an unsolicited call, e-mail or advertisement.
- Never send money offshore to an unregistered firm.
- Never allow yourself to be rushed or pressured into making a decision.
- Never give out sensitive personal information online or over the phone.
- Regularly check bank and credit card statements to make sure there are no unauthorized purchases or charges. Immediately report such activity to your bank or credit card company.

The full binary option advisory is available on DFI's website at www.wdfi.org. To verify a registration or file a complaint, contact DFI at 608-266-2139.