



BC Notice 2017/02

## **Binary Options**

The British Columbia Securities Commission (BCSC) warns investors to avoid illegal binary options schemes. In addition, the BCSC warns investors that no person can legally sell binary options to retail investors.

### **Background**

A binary option is a contract that is like a bet – it pays out based on the outcome of a yes/no proposition. If the outcome is yes, the buyer wins or is “in-the-money”. If the outcome is no, the buyer loses or is “out-of-the-money” and loses all, or nearly all, of their investment.

Typically, the yes/no proposition is based on the performance of something referred to in the contract (for example, a currency, commodity, stock index, or exchange listed security), or the occurrence of a specified event (for example, the outcome of an election or a change in a benchmark interest rate). The time period specified in the contract for determining the outcome can be very short, sometimes hours or even minutes. Binary options are also called, marketed or sold under a variety of other names such as:

- all-or-nothing options,
- asset-or-nothing options,
- bet options,
- cash-or-nothing options,
- digital options,
- fixed-return options, and
- one-touch options.

### **Binary Options Frauds**

Fraudsters have been using binary options as the basis for their frauds. These fraudsters are usually located outside of Canada and use websites that target individual investors. They claim that investors can trade on their websites to make large returns over short periods of time. These websites often attract people by claiming early trades have made a profit and encouraging them to pay larger amounts for greater returns.

Persons “investing” through these fraudulent websites, however, will always lose - the trading may not be real, websites may claim binary options have lost money when they

have not, or the website simply never pays. These schemes are fraudulent, and securities fraud is illegal in B.C. under section 57 of the B.C. *Securities Act* (the BC Act).

It is very difficult or impossible for anyone to recover money that they lose to binary options fraud because the fraudsters are located outside Canada.

### **Restrictions on Binary Options Sales**

Binary options cannot legally be advertised, offered, sold or otherwise traded to retail investors in BC. This is the case whether these activities are done in-person, by telephone or through a website. No one has been registered to sell binary options in BC and no person has filed a securities disclosure document for binary options under the BC Act.

We encourage all investors to visit [aretheyregistered.ca](http://aretheyregistered.ca) to check the registration of any person or company offering investment products, including binary options. Anyone who has invested with, or has concerns about, a binary options trading scheme should contact their local securities regulator. We also encourage all investors to visit [binaryoptionsfraud.ca](http://binaryoptionsfraud.ca).

### **Questions**

For more information about binary options and binary options fraud, please see the binary options section on the BCSC's [InvestRight website](http://investright.com).

You may refer questions to:

Michael Brady  
Manager, Derivatives Branch  
(604) 899-6561  
mbrady@bcsc.bc.ca

September 28, 2017

Peter J. Brady  
Executive Director