



True Fraud Stories: The Truth Behind Binary Options Fraud, Episode 1

Introduction

The following is the transcript of a CFTC video that shows how binary options trading scams can unfold.

Video

This video includes real investors who were defrauded by a binary options trading scam.

Welcome to part one of our series, The Truth Behind Binary Options Fraud.

I didn't really know what binary options were. I had heard of them, but I didn't know what it was about.

Online, it was the latest craze and everybody was talking about them.

I thought that, "Well, you know, for \$300 I could get involved." It wasn't gonna be a lot of money.

The assumption was made by me that these guys were on the up and up.

It was all just a made up scheme to actually defraud the investors.

Binary options trading is a yes/no proposition. You choose a position based on your prediction about market conditions. Depending on the outcome you either receive a payoff or lose money. Unlike other options, there are no shares to exercise. Like many investments, binary options can be a risky form of trading. But not all binary options trading is fraudulent. They can be legally traded on regulated exchanges in the United States. But there are many other websites that operate illegally and commit fraud. This video focuses on those that operate illegally. Here are some of the ways they operate.

One night you're home on your computer. You see an ad on a search engine, receive an email or see a comment on your favorite investing website. The offer sounds interesting, sophisticated. Fraudsters may begin by creating professional looking websites that resemble legitimate trading platforms. On these sites investors can quickly and easily open accounts, fund the accounts with their credit cards, place binary trades and manage gains and losses. But are you really trading at all?

The website itself was great. So really on the surface it looked like a great operation.

The reality, the trading software is often fake and so are the resulting profits you think you're making.

Next, fraudsters use search engines, emails, and popular investor websites to advertise their amazing trading system. Even posting fake testimonials and reviews on their websites and social media.

Customers might be randomly searching the internet looking for various investment opportunities. And they see an ad from a binary options firm, promising high rates of return with limited risk. They see the trading screens and they see what looks like an opportunity that they can make some money in.

They also hire call operators trained in aggressive sales tactics and complicated market speak. With everything in place, the fraudsters can set their plan in motion.



You've got a broker that's calling you. You've got, you know personal attention happening. You know they're excited that you're part of their platform.

Rather than scare off prospective investors with asks for incredible sums of money, these fraudsters often start small. You can open an account online for only a couple hundred dollars and try it out. When you see a modest gain in your account or attempt to withdraw the funds, the real pitch begins. It's a death by 1,000 cuts approach, employing a number of tactics to increase the amount of money you hand over to them.

Here are some tactics fraudsters commonly use:

- An expert broker calls, offering to help you make even more money by trading for you.
- They offer to match the dollar amount of your next trade, if you increase your investment to a certain amount.
- They offer an insurance policy, so that your losses are covered.

Collectively, these tactics compel unsuspecting customers to believe that placing more money into this operation will make up for losses, or increase gains. What's really going on? The credit card you used to open the account is being drained. In some cases, the fraudsters have committed identity theft, running up charges or selling your information to other criminals.

There was a woman, supposedly one of the supervisors involved, got on the phone to me, called me and said, "You can't tell me that you don't have any more money available on some credit card." I said, "That's it, I'm maxed. "I have no available funds." It turns out they actually initiated some withdrawals on some of my credit cards that put them over my limit. I didn't even know the credit card company would do that, but they did.

In some cases, your money is being shipped overseas, lining the pockets of those running the operation. When your money is gone or you try to withdraw your funds, suddenly you hit a road block.

Here are a few common victim experiences you should be aware of:

- One, you can't access your account or withdraw your funds. If they require a few for any reason that enables you to withdraw, do not give them more money.
- Two, your broker has suddenly left the company and they can't honor the terms he or she offered, including the insurance you purchased.
- Three, you experience radio silence. They stop returning your emails and calls.

If you experience any of these, you should contact the U.S. Commodity Futures Trading Commission, the CFTC. The CFTC works to protect market users from fraud and market manipulation. They may be able to help in the even you suspect you've been targeted by a binary options scam.

No matter how enticing a deal or an investment may seem, it's important to remain skeptical, ask questions and always ensure that the binary options exchange or broker is registered with the CFTC.

We just walked you through how a hypothetical fraudster builds his operation to fool smart investors. In our next episode, you'll see how dangerous these worldwide operations can be to individuals like you.