



## **True Fraud Stories: The Truth Behind Binary Options Fraud, Episode 2**

### **Introduction**

The following is the transcript of a CFTC video that shows how a binary options trading scam unfolded.

### **Video**

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

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

In this episode, we'll take you through the fallout of a binary options scam prosecuted by the United States Commodity Futures Trading Commission. Across the country and the world, they've left a trail of heartache and loss that many investors still have not recovered from.

Over four years, the fraudulent company took millions of dollars from victims all over the United States and across the world. The CFTC was inundated with calls from American investors who were hurting. This company claimed to be based in the US, but they were actually operating from a number of international locations. Not only were they lying about where they were from, but they weren't registered with a US regulator, or trading on a registered US exchange or trading platform, making them an illegal binary options trading firm. Binary options exchanges that are registered with US regulators are perfectly legal. Registered exchanges and brokers must agree to uphold requirements put in place by regulators. Unfortunately, many entities that promote binary options trading to US customers are not registered. They do not abide by these requirements, and they are breaking the law. Many of these unregistered entities also commit fraud.

I went to their website, it was, ah again, ah, very well put together. I liked the idea of binary options because I could trade immediately, I could settle my money now, and then go in and trade again if I wanted to.

I first got a call from a trader in December of 2013. Less than a year later, through a very calibrated process of baiting me with phantom profits, and matching my losses, I was in over \$60,000. And they did put me in touch with a broker. And they said he was one of their top brokers, that he had made a lot of people a lot of money.

He told me there was an insurance that they get on them, every trade that we do that's secured, he will put in there that it's an insured secure trade, and they buy the insurance for it, the whole bit. Ah, and then that particular trade, I won't lose any money on if we lose. Okay? But the catch is, you have to bring in an additional \$2,000 in order to get that secured trade status on your account. Once I hit a certain profit level, I tried to remove money from them. That's when they denied me being able to take out my own money.

I had to actually have 20 times that amount before I would qualify for, withdraw any funds. Of course they never told me that up front. So when I heard that, then it was pretty obvious to me that they were running a scam.

That's when I came to the realization that there was something wrong here, and that I reached out to the CFTC for help.



The CFTC received many phone calls like these. It became clear that this scheme was big. And it was something to take action on before it grew even larger. Because it was a virtual business, collecting solid evidence to uncover who was behind the companies was much more difficult when compared with investigating a brick and mortar company with a real address.

We had to gather financial records, we had to gather banking records, corporate records, we had to reach out to international regulators for their assistance. And so we really took a comprehensive approach in terms of finding out all we could about these businesses. In our investigation, we saw retirees, we saw stay-at-home moms, we saw, you know, people who were just trying to supplement their income or provide for their families. And that's one of the things that stood out about this investigation. It really touched people from all walks of life.

In terms of customers receiving restitution, in these types of frauds, it's very very difficult.

The smartest thing you can do is properly research potential investments and brokers, so you know a legitimate deal from an illegal one. The databases at SmartCheck.gov can help you avoid a scam. Check the registration of the person or company. If either is not in the database, or it shows no current status, it means that the individual or company is not registered with a US regulator, and it could be risky to give them any money. Verifying registration provides a number of benefits for investors, including the ability to view job and disciplinary history online. Customers won't have the same legal protections if they choose to work with unregistered firms.

A customer does not have to wait until he or she is sure that they've been defrauded. If a customer even suspects that something is wrong with their investment, reach out to the CFTC. We can make that determination for the customer. When an investor checks SmartCheck.gov, they will see whether or not an entity is registered with the CFTC, they'll see the full address of the company, they'll see a phone number, they'll see the names of the principals of those companies, and they might even be able to see whether or not there've been any actions taken against those companies in the past.

I definitely won't make this mistake again. I look up everybody that I invest with, it's just the smart thing to do.