

Are You an Informed Investor?

The Next Big Thing

At first glance, **Binary Options** and **Digital Currency** appear to have no real connection to one another. But what they all have in common is their recent emergence as two investments that both sellers and buyers hope will become the “next big thing.” Before you consider investing, make sure you understand what these products are, their benefits, and their risks.

Binary Options

A binary option is a simplified options contract that looks more like online gambling than a traditional security or investment. The binary option contract is based on the investor’s prediction of an underlying security’s value at a predetermined date. There are only two possible outcomes: the investor may receive a fixed amount of money for guessing correctly, or lose the entire investment for guessing incorrectly. For example, an investor enters into a binary option contract worth \$100 that promises to pay the investor a 95% return if Company ABC’s stock rises from its current trading price of \$20 per share to \$25 per share by a certain date. If it does, the payout is 195% of the contract’s original value, or a total of \$195 (\$100 + \$95). If it doesn’t, the payout is \$0 – a complete loss of the original investment.

- While some binary options are offered on a registered exchange or a designated contract market subject to SEC and CFTC oversight, the amount of Internet-based trading platforms has surged in recent years. Many of these platforms are unregulated or are completely illegal.
- Binary option contracts are an attractive strategy for scammers because they target unsophisticated investors with a simple-to-understand “investment opportunity” and a perceived low entry cost. The contracts can be executed for hourly, daily or weekly terms. Illegal or fraudulent binary option issuers and platforms have refused to pay out on investors’ contracts; have stolen and sold investors’ personal and financial information, such as bank account and credit card numbers; or have based the platform on software that favors the scammers by generating losing trades for the investor.

Before considering binary options, check with the following regulators to verify registration:

- Binary option registration: [SEC Edgar](#) [Canadian Securities Administrators](#) [National Registration Search](#)
- Trading platform registration: [SEC Commodities Trading Futures Commission](#)
- Financial professional licensing: Contact the [Arkansas Securities Department](#) or visit FINRA’s BrokerCheck

Digital Currency

Bitcoin and other digital currency are poised to be back in headlines again as new exchanges emerge claiming to be licensed and regulated by federal, state, or jurisdictional financial authorities and a growing number of brand-name retailers accepting digital currency as payment for goods and services.

As Bitcoin and other digital currencies attract the attention of private companies and regulators, investors should be aware of the following when approached with potential investment opportunities.

- Digital currency value fluctuates wildly because it is decentralized and often the subject of “breaking” news and rumors.
- Since different countries and jurisdictions have little uniformity on how Bitcoin and digital currency is regulated, scammers will take advantage of the confusion and contradictions to misinform potential investors.
- Hackers are attracted to digital currency because it’s intangible, can be difficult to trace, and is vulnerable to cyberattacks.

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