



# A Losing Bet: Binary Options Fraud in Canada



THE MANITOBA  
SECURITIES  
COMMISSION

# What are Binary Options?

*“Binary options – the latest investment scam that’s costing victims everything.”*  
- CBC, March 2017

Binary Options are a sort of ‘wager’ where investors bet on the performance of an underlying asset, often a currency, stock index, or share, usually over a short period of time—sometimes minutes or even seconds. When that period is up, the investor receives a predetermined payout or loses his wager. It’s an “all or nothing” proposition. In some instances, no actual trading takes place—the sales pitch is just a channel to steal money.

**A request to send money offshore to an unregistered firm is a red flag for investment fraud.**

**No person can legally offer, sell, or otherwise trade a binary option shorter than 30 days to an individual in Canada.**

Multilateral Instrument 91-102 *Prohibition of Binary Options* prohibits advertising, offering, selling or otherwise trading binary options shorter than 30 days to an individual.

In ALL of Canada, there are no individuals or firms registered to sell these products. If a firm claims to be registered, don’t take their word for it. Check for yourself at **[aretheyregistered.ca](http://aretheyregistered.ca)**

**For more information, visit [binaryoptionsfraud.ca](http://binaryoptionsfraud.ca)**

# Common Traits of Binary Options Websites

There are hundreds of fraudulent Binary Options websites on the Internet, and for each site that shuts down, more will appear. However, these sites share many things in common. *Binary Options trading* sites typically feature:

- Trial accounts to get you hooked
- Offers of free 'bonus' money when you open a new account
- Claims that Binary Options trading is 'low risk'
- Promises of high returns, often in a short amount of time
- A variety of payment options to fund an account, including credit cards
- Some websites will feature a Canadian phone number. These companies are not actually located in Canada—they use Voice Over Internet Protocol (VOIP) phones to disguise their actual location.

*Binary Options marketing* websites will provide Binary Options news, reviews and ratings, as well as testimonials and videos of individuals claiming to have made thousands of dollars through Binary Options trading. This gives victims a false sense of legitimacy of Binary Options trading sites. In reality, these websites **receive kickbacks for funneling victims to particular Binary Options trading websites.**

## Global Connections

The majority of Binary Options trading firms are based in foreign countries, where it can be extremely difficult to enforce your legal rights and where there may be little to no financial regulation. These firms typically operate under a variety of false names and addresses to shield their owners' true identities from authorities, regulators, and potential victims—you never really know who you're dealing with.

These firms have targeted individuals in Canada and around the world, with losses totalling billions of dollars.

*The Scotland Herald* called Binary Options, "Britain's biggest Internet scam."\*



\**The Herald*, Nov. 26, 2016

# How you could be victimized

## The Approach

Binary Options firms typically use social media, online ads, chat programs, unsolicited texts, and cold calls to contact potential targets.

These companies spend considerable time and money to place ads on popular websites and social media platforms. These ads typically direct you to an attractive and well-designed website that can look very legitimate. Automated robo-calls often sound legitimate, prompting you to press a number and stay on the line to speak to a 'trader.'

Whether first contact is online or by phone, you will be referred to a so-called 'expert trader.' These scammers work from a script to sound more professional. They are often very friendly, but are trained to use high-pressure sales tactics on their targets.

## The Pitch

The experienced 'trader' will help you set up an account, give you 'free' money to test out the trading platform, then get you to 'invest' your own money via credit card, pre-loaded card or money transfer. Victims are usually promised impressive returns on a small initial investment, sometimes as little as \$250. Potential victims are told how easy it is to 'trade', and the experienced trader will help guide your decisions. In reality, these trades are often fabricated—you will always have initial success in order to build your trust, but they may not actually be trading anything.

Once you try to withdraw money from or close your account, or if they believe you're catching on to their scam, the 'trader' will stop all communication with you. Phone calls and emails won't be returned or replied to.

The 'trader' may use any credit or personal information you've given them to access any remaining or additional funds they can. After they have stolen your money, they disappear.



# Protecting yourself

The following financial safety tips can help you defend yourself from scammers.

## Tips to Remember:

- Never send money to anyone you met via an unsolicited call or email
- Never give out sensitive personal information online or over the phone
- Do not give out your credit card information to pay for an investment
- Always research an investment before making a commitment
- Check statements (e.g. bank, credit card) regularly to make sure no unauthorized purchases, or charges have been made by vendors you do not know
- Make sure the firm and/or individual you're dealing with are registered in Manitoba by checking their professional registration status at **aretheyregistered.ca**
- Check out **www.binaryoptionsfraud.ca** to find information on Binary Options fraud in Canada

**REMEMBER: ALWAYS verify the registration of a firm or individual before investing.**



## You don't have to be wealthy to be scammed

Many victims of Binary Options fraud are average people—students, blue collar workers, seniors—who simply made the mistake of thinking they'd found a great way to make money.

Victims have seen their life savings drained, RSPs lost, and money for post-secondary education swindled away.

# Revictimization

## You can be a victim of fraud more than once

Once you've been the target of a scam, you may be targeted again. In fact, 25%<sup>2</sup> of fraud victims are defrauded a second time. This is known as 'revictimization,' or a 'recovery room' scam. Here's how it often works:

1. The person who scammed you keeps your contact/personal information, or sells it to someone else.
2. After some time has passed, you're contacted again—either by the first scam artist or by a new one.
3. The caller explains that they can help recover some or all of your lost money, but you'll need to pay a "transaction fee," "administration fee," or "tax" first. This is usually a significant percentage of the amount you originally invested.
4. When you pay this fee or tax, they will cut off contact and you won't get your money back.

**Don't send money**— report the scam to your local securities regulator.

<sup>2</sup> Canadian Securities Administrators. October 2007. *2007 CSA Investor Study: Understanding the Social Impact of Investment Fraud.*



# Investment fraud checklist

Most scams, including Binary Options fraud, have some common warning signs that are fairly easy to spot. Before you invest, ask yourself these questions:

**1. Were you promised a high return on a low-risk investment?**  Y  N

One of the first rules of investing is that higher return equals higher risk. In other words, the more money you can potentially make on an investment, the higher the risk of losing some or all of your investment.

**2. Did you have enough time to make a decision?**  Y  N

Never feel pressured into buying an investment on the spot. If you hear things like “act fast,” “one-time opportunity” or “buy now before it’s too late,” the person you’re talking to likely has something to hide.

**3. Were you given confidential or “inside” information?**  Y  N

A scam artist may claim to have information that nobody else knows about a company. You have no way of knowing if this “inside” information is true. And even if it is, trading on inside information is *illegal* in Canada.

**4. Can you verify the investment with a credible source?**  Y  N

If you receive an unsolicited investment opportunity, get a second opinion from a registered financial adviser, lawyer, or accountant.

**5. Is the person who contacted you registered?**  Y  N

Anyone who tries to sell you an investment or give you investment advice must be registered unless they have an exemption. You can contact your local securities regulator to check if someone is registered, or visit [aretheyregistered.ca](http://aretheyregistered.ca)

**6. Do they want access to financial information?**  Y  N

Have they asked you to provide a credit card (standard, pre-paid, or pre-loaded), a money order or bank transfer information? Have they suggested taking out a loan?

**If you checked ANY of the RED boxes, it may be a scam.**

**If you think it’s a scam—**  
Don’t be afraid to say no. Just hang up the phone, delete the email, or walk away.

# Know where to go for help

Our free, objective guides can help you learn more about investing, how specific investments work, and choosing an adviser. They're available on The Manitoba Securities Commission website at [www.mbsecurities.ca](http://www.mbsecurities.ca).

For more information about fraud, or to report a suspected fraud attempt or approach, please contact:

## The Manitoba Securities Commission

[mbsecurities.ca](http://mbsecurities.ca)

1-855-FRAUDMB



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