

## Binary options and forex

Trading in binary options or forex is offered to consumers, often by unknown foreign companies, in the form of a contract to bet on changes in the price of certain products in the upcoming minutes, hours or days. For example, a consumer can put money on the change in the exchange rate of the dollar. This means he or she makes a prediction as to which way the dollar's exchange rate against another currency will move within a previously agreed time period.

If the consumer wagered correctly, he or she gets the full investment back plus a considerable profit. If he or she bet the wrong way, then the entire amount invested is lost. In other words, this is an 'all or nothing' contract known as a binary option, and closely resembles gambling.

Foreign currencies (US dollar, the pound sterling, the Japanese yen, etc.), share indexes (Bel20, Eurostoxx50, etc.) or commodities (gold, silver, oil, etc.) are popular among binary options.

The term 'forex' (sometimes referred to by the initials 'FX') is a contraction of 'Foreign Exchange'. The term generally refers to the over-the-counter market on which currencies are traded at constantly varying exchange rates.

The transactions proposed to investors are ones that allow them to speculate on the differences in currency exchange rates. The transactions are presented as being carried out on the forex market and are not intended to actually obtain the currencies traded in the transaction in question. Derivative instruments such as contracts for difference (CFDs) and certain forex instruments sometimes involve very substantial leverage, which further aggravates the risk associated with the instrument.

Binary options and forex products are **extremely speculative and particularly risky products**. Investors run the risk of losing the entire amount invested or even, in the case of investment in forex products, of losing more than the amount initially invested.

Providers offering these options or forex products hold out to investors the promise of making money easily. However, this is a risky financial product, and the chance of losing one's entire investment is greater than the prospect of earning money. It is therefore dangerous to invest in binary options or forex products.

Moreover, any company that wishes to offer such products must be an authorized investment firm. Certain offerors of binary options or forex do not have the necessary authorization to distribute such products in Belgium. Most of these cases involve investment fraud, and investors never recover the sums they invested. The FSMA therefore strongly advises against responding to any offers of financial services made by such distributors of binary options or forex products. These offers are particularly likely to be fraudulent, given that an investor generally cannot verify whether the change in price between the beginning and the end of the term of the option was correctly calculated. In a number of cases it turned out that no actual transactions were ever made by the offeror. Another indication of fraud is that these products were distributed in a particularly aggressive manner to the general public. In many cases, the company could no longer be reached when the investor tried to withdraw his or her investment and earnings.

The FSMA points out that since 18 August 2016, no investment firm (authorized or not) is allowed to actively distribute binary options via an electronic trading system within Belgium. The same applies to derivatives (and in particular to forex derivatives and CFDs) traded via an electronic trading system with a maturity of less than one hour and to derivatives that directly or indirectly use leverage.

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