



ANGUILLA FINANCIAL SERVICES COMMISSION

INVESTOR ALERT

Unregulated Investment Business

Forex Trading

Binary Options

The Anguilla Financial Services Commission (“Commission”) is aware that there have been increased efforts by individuals to target vulnerable sections of the general public in order to partake in forex trading and binary options trading. The Commission is informing the public that the Commission does not have any licensees carrying on the business of dealing in, or offering facilities to others to deal in, foreign currency (“forex”) contracts or binary options contracts. Any such business incorporated or otherwise organized under the laws of Anguilla is not regulated by the Commission and may not be regulated anywhere.

Investors should be aware of the risks associated with unregulated investment business. For example, the unregulated investment business, and its owners and directors, are not subject to the “fit and proper” test applied to regulated investment business and its principals. Unregulated investment business is not subject to any requirements to maintain adequate financial resources and adequate insurance. Unregulated investment business may not meet acceptable standards for corporate governance, internal systems and controls, integrity and competence, continuing professional development, complaint handling and record keeping, and transparency in its business arrangements. And unregulated investment business may not be subject to any code of practice or other regulatory law that expressly prohibits the business from making statements that are misleading, false or deceptive.

Therefore, partaking in unlicensed and unregulated investment business such as forex trading and binary options is done at the investors own risk. The Commission is unable to help investors to retrieve their money from businesses that are not licensed and regulated by the Commission. Please see the Investor Alerts published on the Commission’s website www.fsc.org.ai.

Forex trading and binary options trading are associated with a number of additional risks that have been briefly set out below in the attached Appendix.

Should you believe that you have been victimized by a forex trading or binary options trading business, we advise that you contact the financial crime authorities in your jurisdiction.

Anguilla Financial Services Commission

11 December 2014

Revised: 25 June 2015

Revised: 13 August 2020

APPENDIX

Forex Trading

Forex contracts involve the right to buy or sell a certain amount of a foreign currency at a fixed price in another currency. Profits or losses accrue as the exchange rate of the foreign currency fluctuates on the open market. Because of the volatility in the price of foreign currency, losses can accrue very rapidly, wiping out an investor's down payment in short order.

The United States of America Commodity Futures Trading Commission (CFTC) and the North American Securities Administrators Association (NASAA) warn that off-exchange forex trading by retail investors is at best extremely risky, and at worst, outright fraud.

The United States Securities and Exchange Commission (SEC) has warned that the risk of loss for individual investors who trade forex contracts can be substantial and has identified a number of key risks: quoting conventions are not uniform; transaction costs may not be clear; transaction costs can turn profitable trades into losing transactions; you could lose your entire investment or more; trading systems may not operate as intended; fraud; and special risks of off-exchange forex trading (no central marketplace and no central clearing).

The Financial Conduct Authority (FCA) has warned that forex scammers promise very high returns and guaranteed profits, either through a managed account where the firm makes trades on the investor's behalf or by trading using the firm's trading platform. Most consumers report they have initially received some returns from the firm to give the impression that their trading has been a success. Customers are encouraged to invest more money but at this stage or soon after the returns stop, their account is suspended and there's no further contact with the firm.

Binary Options

Binary options are securities in the form of options contracts that have a payout that depends on whether the underlying asset – for example, a company's securities or a share index – increases or decreases in value. A binary option is a type of options contract in which the payout will depend entirely on the outcome of a yes/no proposition. In such an all-or-nothing payout structure, investors betting on a stock price increase face two possible outcomes when the contract expires: they either receive a pre-determined amount of money if the value of the asset increased over the fixed period, or no money at all if it decreased.

NASAA has identified a number of risks associated with binary options: illegal distributions; potential for fraud; identity theft; refusals to return, or pay out, investor funds; and potential for abusive trading. Particular investor risks are that the option is an all-or-nothing payout structure and investors can easily lose their entire investment.

The CFTC and the SEC have received numerous complaints of fraud associated with websites that offer an opportunity to buy or trade binary options through Internet-based trading platforms. The complaints fall into at least three categories: refusal to credit customer accounts or reimburse funds to customers; identity theft; and manipulation of software to generate losing trades.

The United Kingdom Gambling Commission has warned that an unlicensed investment business is likely to be acting illegally, will not abide by any code of conduct and has no incentive to deal fairly with you. An unlicensed investment business is likely to use false names, addresses and contact numbers - they can disappear with your money and without a trace, making recovery impossible. As of 2 April 2019, the FCA has banned firms from selling Binary Options in the United Kingdom.