



Social Media Enabled Binary Options & Forex Trading Fraud

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SOCIAL MEDIA ENABLED BINARY OPTIONS & FOREX TRADING FRAUD

The purpose of this alert is to raise awareness to ROCU's, police forces and regulatory bodies in the UK, as well as members of the public and groups and organisations that work with young people, such as the NUS, on how fraudsters are using social media (such as Instagram and Facebook) to target and entice members of the public into binary options fraud.

ALERT CONTENT

Fraudsters are using social media websites and apps to target younger generations in order to defraud them.

The NFIB has seen a dramatic rise in binary options trading fraud, sometimes referred to as "forex trading" by the fraudsters due to many trades involving currency, being facilitated by criminals using social media to engage and communicate with their victims.

Whilst a traditional investment can take months or years to mature, a legitimate binary options trade can see a return in a matter of minutes. Fraudsters are using this fact to attract people that would otherwise not normally consider investing.

Strictly speaking, binary options are not an investment, albeit they are being advertised as such. In actual fact they are simply a form of gambling on the markets. The 'investor' will bet on whether the value of a commodity such as currency or gold will go up or down over a set period of time, sometimes as little as a few minutes. If the investor 'calls' the option, they believe its value will rise; if they 'put' the option, they believe it will fall. Just like in gambling, if the investor predicts incorrectly they will lose all the money they have placed.

Binary options trading is not regulated by the Financial Conduct Authority and as such any 'investors' will not have access to the Financial Services Compensation Scheme.

How does it work?

Fraudsters are setting up fake profiles on popular social media websites. The fraudsters purport to be successful binary options traders and will often add photographs of themselves in exclusive locations such as high class restaurants or posing with luxury items and goods such as valuable cars, clothes and watches in order to give the appearance of wealth and success.

Sometimes the fraudsters will include 'testimonials' from happy customers in the form of text message or email conversations – these are believed to be faked. The fraudsters will then seek out potential victims and offer them the chance to 'invest' by sending money. Frequently the fraudster will tell the victim that their 'trading' has been successful and then request more money be sent. In some instances the fraudsters also demand further funds in order to release the victims' money.

The fraudsters make representations to the victims that they will trade on their behalf. They claim to be able to turn small investments of £100-200 into £1,000 or £2,000 for a cut of the profits – normally 10-20% - however no trades are believed to actually take place.

Victims are asked to pay either via a bank transfer, direct to another bank account controlled by the fraudster, or via a money transfer agent such as MoneyGram or Western Union.

As soon as a victim becomes suspicious and asks for their money back, the fraudster will block them on social media. No money has ever been recovered.

ALERT CONTENT CONTINUED

Who is affected?

Victims are predominately from the UK, male and female, and aged 17-76 years old. A high proportion of victims are under the age of 30 (33%), with 9% under the age of 20 – this is extremely unusual in investment fraud. This is a new demographic being targeted by investment fraudsters and we believe the prominent use of social media, to both entice victims and communicate with them, has enabled the fraudsters to target a whole new subsection of society.

PROTECTION / PREVENTION ADVICE

- Be suspicious of any approach via social media as no reputable brokers would do this
- Do not give out personal or financial details and never agree to anything or send money upfront, without making your own enquires into the company or individual first
- Further advice on binary options scams can be found on the Action Fraud website: <http://www.actionfraud.police.uk/news/fraudsters-claim-binary-options-are-being-used-for-investment-scams-jun16>
- Visit www.getsafeonline.org for advice on how to stay safe online
- If you have been contacted by a suspicious firm or have been affected by this, or any other scam, report it to Action Fraud by calling **0300 123 2040**, or visiting www.actionfraud.police.uk

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