

Are Binary Options Trading Legal?

TRAVERSE CITY, Mich. - Nov. 17, 2014 - [PRLog](#) -- Binary options offers us an easy way to trade fluctuations in prices on varying global markets. Traders should be able to understand the risk and rewards of these popularly misconstrued financial instruments. The traditional options that are well suited for traditional investors differ from binary options. If traded, it becomes clear that these options yield varying payouts, risk, fees, asides its utterly unique liquidity structure and investment model.

It was just only recently that we saw binary options (later half of 2012 and into 2013) coming into limelight, with a bulk of investors raising concerns over regulations and legalities. This concerns were imminent for traders especially in the United States, where regulations and laws are constantly evolving. These are the two major worries bothering this issue. Legalities surrounding the brokerage firms offering binary options and legalities bothering the real binary option investors, i.e. most likely you.

Binary options that are traded outside the United States are basically tailored differently to those open to investors in the U.S. Binary options becomes an alternative when opting on speculating or hedging, only if the investor totally comprehends the two possible outcomes of these exotic options. There was a scenario (sometime in June 2013) in which a Cyprus-based firm was charged by the Securities and Exchange Commission with selling binary options illegally to investors in the United States, having warned American investors on the potential risks of such investment within the same period.

Historic Facts

Binary options which is best known as digital options has been around for quite some time. Overtime, trading this instrument has been carried out as an over-the-counter transaction, with little or no regulations at all. The Chicago Board Options Exchange, CBOE, was formed in 1973 and offered investors a medium that could be used to trade options.

As time went by, Options Clearing Corporation, OCC, started regulating over-the-counter operations to ensure that investors were basically adhering to the rules as regards buying and selling what they mentioned. Any investor who violates these rules stands the chance of getting a temporal or permanent ban.

It was only in 2007 that the OCC initiated a change of rules, evidently bringing about binary options trading on major markets. It was subsequently passed into law in 2008 after getting approval from the Securities and Exchange Commission. The American Stock Exchange became the first exchange in the world to list binary options in May 2008, and subsequently in June 2008 the CBOE began listing binary options as well.

Regulation and Transparency

There are binary options brokers out there who're regulated, while others are not. In general, government regulation for binary options brokers is not as strict as regulations for forex brokers. It should be stated that regulation does not essentially mean instant reputation and reliability, as well as a legitimate place to trade.

Binary options is no scam, as it is a legal way to trade stocks, forex, commodities and indices. Possible scams arise from traders engaging brokerage firms that aren't reputable or when they chase after firms with ads promising 300% returns within an hour. However those returns are a possibility but the accompanying risk is high, which is not mentioned in those ad campaigns.

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Country	United States
Industry	Home business , Investment
Tags	Binary Options , Binary Trading Legal , Binary Options Trading , Make Money , Forex Trading
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