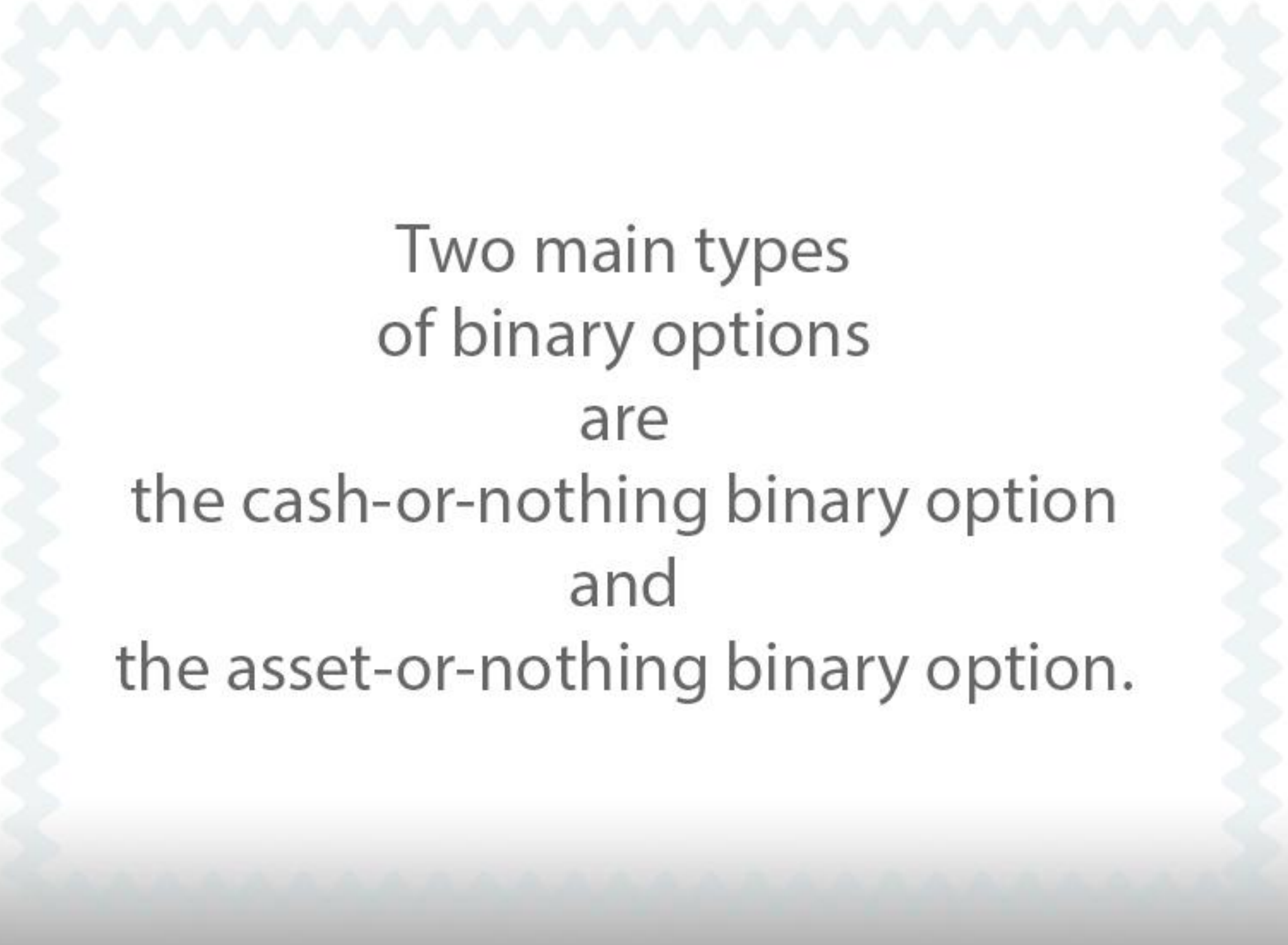


A binary option is a financial option in which the payoff is either some fixed monetary amount or nothing at all.




Two main types
of binary options
are
the cash-or-nothing binary option
and
the asset-or-nothing binary option.

The cash-or-nothing binary option
pays some fixed amount of cash
if the option expires
in-the-money
while the asset-or-nothing pays
the value of the underlying security.

They are also called
all-or-nothing options,
digital options
(more common in forex markets),
and fixed return options (FROs)
(on the American Stock Exchange)

While binary options theoretically play a role in asset pricing, they are prone to fraud and banned by regulators in many jurisdictions as a form of gambling.



The U.S. FBI is investigating
binary option scams
throughout the world

The use of the names of famous and respectable people such as Richard Branson to encourage people to buy fake "investments" is frequent and increasing.

The U.S. Commodity Futures Trading Commission warns that "some binary options Internet-based trading platforms may overstate the average return on investment by advertising a higher average return on investment than a customer should expect given the payout structure."