

Binary Options as New Financial Instruments and Their Integration into the Financial Sector

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ABSTRACT

The rapid development of technologies, the continuous formation of the information society, the introduction of new electronic forms of doing business, all this is an integral part of the interaction between entrepreneurship and the government. The World Wide Web is a huge platform with the opportunity to earn money for specialists in almost any kind of industry, from stock trading to ordinary speculation on the difference in currency exchange rates. Today, one of the most popular types of quick profit is trading binary options. This method makes it possible to obtain a large income in a relatively short time. In this article, we tried to consider the types of existing binary options, as well as those that operate in the territory of the Russian Federation, to analyze the main problems and prospects, to consider the main examples, and the prospects and problems of using binary options in a rapidly developing digital economy.

Keywords: *binary option, trader, brokers, exchange, strategy, stocks, deposit*

1. INTRODUCTION

Over the past years, the financial market has been demonstrating a rapid pace of development. As real business practice shows, the larger the financial market, the more complex and diverse its tools, the more important is the analysis of the effectiveness of investment operations (investments). The rapidly growing scale of computerization and global technological re-equipment of financial markets based on modern information technologies have led to appearance of a new type of earnings - via the Internet [1]. A certain financial innovation has become the so-called binary option. Generally speaking, an option is a special voucher that assumes some expiration time, after which it is determined whether it is profitable or not. In our understanding, a binary option is a bet on a positive or negative outcome of an event. Transactions using binary options occur on the basis of the trading platform, which can be found on the Internet. Usually these are companies providing brokerage services. A binary option is a kind of purchase contract. At the time of purchase of the stock, the trader must determine in which direction the price will move, higher or lower. Binary options are rightly considered the most profitable type of online trading. One deal lasting a minute can bring the average monthly salary of a Russian citizen [2].

2. METHODS

In the process of work on the topic, private scientific legal methods were used, such as especially juridical, expressing the nature of their own regulatory organization of knowledge of the state and law. The method of comparative

law, which allowed to correlate the economy and law of the Russian Federation with the economy and law of other

countries in terms of general characteristics and features of their organization, structures, functions, etc.

In addition, the research methods and techniques were used to ensure a uniform and reliable empirical material and its initial processing, such as generalization of law enforcement practice, procedures for juridical description of current legislation, etc.

3. RESULTS

Binary option is comparatively a young type of transaction. Generally speaking, an option is a special voucher that assumes some expiration time, after which it is determined whether it is profitable or not. It sounds pretty tricky, but in fact, everything is much simpler. In our understanding, a binary option is a bet on a positive or negative outcome of an event. For traders, this is an increase or decrease in the exchange rate of two currencies or a pair of securities. The trader's profit depends on whether the outcome of the option is predicted or not. Some people compare such earnings with roulette, because if you cast aside any forecasts, then it is: either black or red.

Profitability in case of winning ranges from 50 to 80 percent. Such differences depend on the popularity of the trading pair and market position. For example, if there is a pronounced trend, the yield will fall, since no broker will work at a loss. For this reason, there is fierce competition between sites.

Today, there are several types of options: classic binary option. The most common and popular form, considered the

source of all binary options. When working with this type, an elementary prediction of the results of the value of the option asset after expiration is necessary; turbo binary options. The main essence of this option is similar to the classical trading scheme, a distinctive criterion is a significant reduction in the expiration time (from 15 seconds to 5 minutes); binary options "One touch". The way of operation of this type of binary option is the trader sets a fixed border, which, in his opinion, can be touched on the trading schedule of the asset before the expiration of the transaction, which will allow him to make substantial profit. The premium for these options can reach 500-600% per transaction, but such options are usually sold on weekends when trading activity is minimal and apply to low-use market assets; binary options "Range". The tenet of operation of this option is similar to the one-touch option, only in this case the trader sets not one point, but a range of values from which the chart can either exit or remain in it. Earnings are carried out on special broker sites. These projects provide an opportunity for traders to trade online immediately after making a deposit. Binary options brokers provide various conditions for partners: the minimum deposit amount, the percentage of the transaction and many other opportunities. By the way, there are a number of proven trading platforms with positive reviews.

Strategies are also being developed in large quantities. As it was found out, in a relatively stable economic situation, fluctuations of the currency pair have a wavy character and frequency, depending on market sentiment. It is the ability to correctly guess when the trend will change will help to be successful in trading options.

There are two types of analysis: technical and fundamental. After a novice trader has chosen binary options as a market tool (what it is, you already learned above), the first thing you have to face is a technical analysis, which consists in the ability to work with signals.

In fact, these are ready-made solutions that should give the trader an idea of which direction the option will go. But they have a number of significant drawbacks: firstly, the time of their expiration is not indicated, and secondly, they do not indicate how many points the value of the pair will change. But, unfortunately, these are completely insignificant problems of these signals. A much bigger disadvantage is that in most cases they turn out to be wrong. Many people understand how to use them correctly and focus on binary options. Strategies are just for this. In general, technical analysis is an assessment of chart behavior and the study of signals, economic news and other factors, based on which the type of strategy that will be used during a certain trading time.

The actual type of analysis will be applied to the direct development of economic strategies. In fact, all the situations occurring in the market are already a number of ready-made solutions. Their correct understanding and ability to combine will be the key to success. To carry out fundamental analysis, you must have good knowledge. Of course, it includes technical elements, but the determining factor is the ability to correctly predict which situation will follow the current one on the market. Despite all the seriousness, its implementation will not take much time

from an experienced trader, and the result will be significantly higher than with technical analysis.

One of the most common strategies for working with binary options is to accelerate the deposit. The method of dispersal of the deposit implies high risks, however, it allows a relatively rapid increase in the amount of funds available. After a trader already has serious money, he already has the opportunity to reduce trading risks, while at the same time due to high profitability indicators he remains at the same level. There are some signs for this method, such as high profitability, an increased number of transactions during a certain period, high current risks, and a high risk of losing a deposit before the end of the "dispersal". Perhaps it's worth starting with a high risk, which is offset by an increase in the profitability of transactions. Each of the strategies for accelerating the deposit in binary options implies a higher probability of losing a significant part of the capital at a time when, due to the growth of funds on the deposit, you can use risky tactics (crossbow strategy). That is, we can lose not only the money that we managed to win, but also the funds on the deposit at the initial stage. There is a traditional overclocking technique where the deposit can be increased ten or more times, and this is perhaps the only way for traders who cannot make a large deposit. Many of these strategies include "re-up" the loss - after the losing bet, the amount of investment doubles, which allows you to cover losses from a failed transaction and make a profit at the current moment. The common name for tactics is the Martingale strategy, which has many varieties and branches. Why is it better to disperse a deposit on options? The option to accelerate the deposit is the most effective approach, you can increase the volume of trading on the Forex or the stock exchange, but this increase in the risk of trading binary options is not possible. The main task of the trader is to ensure that to prevent a long series of failures that due to the constant increase in the number of deposit rates will lead to a drain (at one point the set will have nothing). You can also mention such a strategy as "System for 15 minutes". One of the trading strategies that deserve the attention of traders is the binary options strategy for 15 minutes. To start the strategy, you do not need additional programs, you only need an online schedule. The strategy uses two indicators for 15 minutes, which filter each other's values, cutting off unnecessary indicators. A trading strategy is versatile because it is suitable for any asset.

When characterizing options in the Russian Federation, the question arises about the legal status of binary options brokers in Russia. Brokers are licensed and controlled by the Central Bank of the Russian Federation, which became a regulator after the abolition of the Federal Service for Financial Markets. But as for binary options, it is not so simple. The fact is that in Russia the law on Forex was adopted [3]. The law provides for amendments that are aimed at regulating the activities of the company in the OTC market. Many forex brokers provide binary options trading, these services also fall under these amendments, and the consequences of this law directly affected them. This law applies only to brokers who are registered in Russia. Therefore, most dealing centers generally do not care about Russian laws on OTC markets, because it is known that

almost all the brokers available on the Internet are Europeans and only a small part of them are Russians. However, they are all registered in offshore markets; this is why the stock exchange has become the spot of fraud in the Russian stock market.

The creation of cover helps to avoid legislative problems. Most companies that offer money on the Internet through binary options have a cover or even a twin with a legal face. They write about it on the site and, usually it becomes the Chicago Option Exchange. Information about it and its interaction with a company offering earnings on a binary option can be found by simple queries in the search engines and on the sites of the options themselves, but in fact the Chicago Option Exchange has nothing to do with Russian scammers [4]. As a result of a game with Russian binary options, a situation is formed when a person entrusts his money to unauthorized persons who do not give any guarantees about their safety. In addition to currency pairs, fraudsters often attract shares of well-known global companies, whose indicators have leading positions in the ratings of world exchanges. This move indirectly determines the legitimacy, frequency and realism of the operations carried out, forming in the minds of inexperienced market participants a positive attitude towards the company.

Not a single Internet portal offering binary options on the Russian market publishes official documentation on its activities and securities sold, not because it is hidden information, but only because these types of documents are missing. The totality of such phenomena confirms the initial idea that Russian binary options Internet sites are nothing more than an online casino [5].

4. DISCUSSION

As you can conclude, the consequences of low financial literacy is a reason of an increase in the number of financial frauds, in the accumulation of excess payables, and the inefficient use of personal savings [6]. Moreover, lack of education and distrust of citizens in financial markets, lack of understanding of contractual relations hinder the development of small and medium-sized businesses, entrepreneurial activities [7]. This is one of the most acute problems of our time, suggesting a comprehensive approach to solving it, including taking into account psychological aspects, social status factors, the level of disposable income, gender characteristics that somehow affect the models of investment behavior of households [8]. If we take specifically the binary options market and the brokers themselves, then this is an interesting situation. Their services are not covered by currency trading. Logically, their activities should fall under the OTC derivatives market. However, specialists are well aware that he was always too "free" and not standardized. The market expected at least some clarity from the introduction of the law "On the Forex market", already signed by the president of the Russian Federation. But in the end no changes are observed. A lot of traders switched to binary options trading, leaving the forex market in the background, from which we can conclude that options are only becoming

more popular. The reasons for this popularity are as follows. Some praise the clarity and simplicity of these tools. Others say that fixed risk and fixed profit are more comfortable for them and allow more attention to be paid to the trading system itself. Still others write that they are afraid of the impending regulation of the forex industry. Because after these innovations it will be necessary to retrain, and many trading systems that are now quite effective and profitable may not work at all later. Well, advertising is doing its own thing. Often, we see almost the promise of guaranteed income and all that is needed is just to understand a simple trading platform and replenish your trading account. Therefore, recent changes to the law "on the securities market", where are provisions regarding the advertising of financial services, are very welcome. The point is that there should be no abuse, and potential investors should be properly warned about all the risks. On the Internet, we see many binary options brokers. For obvious reasons, a domestic trader is drawn to his companies. From a legal point of view, there are no such brokers at all, since the registration with them is mostly Virgin Islands or Cyprus. However, you can find brokers that are most suitable for Russian traders. The owners of such companies were Russians and initially created brokers that were adapted primarily to our segment. For example, this is the well-known Alpari broker [9], who recently lost his license from the Central Bank of the Russian Federation due to a violation of the law. Federation in accordance with new legislation. The company is one of the initiators of the creation of the OTC Financial Instruments and Technologies Regulation Center. It also took part in advising the State Duma Committee on the financial market regarding the development of Russian legislation on the Forex market. Also, one cannot fail to mention the company RoboForex, which created a separate company RoboOption and is primarily aimed specifically at traders from the CIS countries. Another well-known company focused on the Russian market is Binex [10]. Its owners are Russians and the company initially had a service focused on domestic customers. In particular, one can note the replenishment and withdrawal of funds without commission using the most popular electronic payment systems in Russia. Russian-speaking support, which is almost always online, and many other benefits.

5. CONCLUSIONS

Summarizing the above, it can be concluded that in order to eliminate the problem of using binary options and exclude financial fraud, a clear legislative regulation of this concept (phenomenon) and the fundamentals of the functioning of this market relations tool, explanatory work with the public and a general increase in the level of financial literacy are necessary. Despite the fact that the Central Bank of the Russian Federation, judging by the statements of its leadership, wants to protect our citizens from troubles in today's Forex market, it does not seem that this can somehow affect binary options. The same opinion and leading market players. Some providers block access, but everyone who wants it, however, finds it and loses it or wins

money without any problems. In terms of logic, in the future we should wait for the regulation of this market. Legislators should perceive binary options as OTC derivatives in a competent manner. In this case, it will be fair to expect an increase of trust on the part of traders amid the emergence of exclusively respectable brokerage companies, since binary options from the point of view of many participants in this market are good sources of income.

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