

## Understanding Binary Options in the Context of Trading Law in the Digital Era

Syam'un Syam'un<sup>1</sup>, Sardjana Orba Manullang<sup>2</sup>, Tamaulina Br Sembiring<sup>3</sup>,  
Irma Rachmawati Maruf<sup>4</sup>, Prasetyono Hendriarto<sup>5</sup>

<sup>1</sup>Universitas Islam Negeri (UIN) Alauddin Makassar, Indonesia

<sup>2</sup>Universitas Krisnadwipayana, Indonesia

<sup>3</sup>Universitas Pembangunan Panca Budi, Indonesia

<sup>4</sup>Universitas Pasundan, Bandung, Indonesia

<sup>5</sup>Universitas Pakuan, Bogor, Indonesia

hamidsyamun@gmail.com, somanullang@unkris.ac.id, tamaulina@dosen.pancabudi.ac.id,  
irma.rachmawati@unpas.ac.id, prasetyono.hendriarto@unpak.ac.id

### Abstract

*This paper examined various information content to gain an in-depth understanding of the status or law of Binary Options in Indonesia's trading context. In recent years, the development of digital-based businesses has been growing and proliferating, thus requiring an explanation of the legal status in business and trade. Therefore, we have obtained research evidence that provides a comprehensive understanding of the existence of binary options and their legal status. Before concluding, of course, we need a scientific data processing process to account for these findings regarding the validity and reliability of these findings. As for the process, we get the data through a Google search on some sources of binary business literature and legality both in the Indonesian context and internationally. So, based on the results of the study and discussion, we can conclude that the legal status of binary options trading is a business that is forbidden due to the nature of its work is highly speculative or chancy, and this is not in line with the context of the legal status in Indonesia. It is hoped that these findings will add to the repertoire of scientific understanding of business and trade in Indonesia, especially in the digital era.*

### Keywords

understanding; binary options; trading law; and digital era



## I. Introduction

Binary options are slowly returning to the public conversation after the number of digital advertisements offers this transaction's benefits (Novruzova et al., 2020). With the lure of large profits in a short time and can be used by beginners, binary options are suddenly loved by the public. Barnes (2021) explains that binary options are a form of online trading instrument in which traders predict or guess that the price of an asset will rise or fall within a certain period. "So, this binary option is more like a gamble than an investment instrument. Based on Kontan. Co. Id's search, how to play binary options is relatively easy. Users only need to register with a binary options provider and make a deposit. The amount of the deposit at each provider is different, but generally US\$ 10. The user will choose the index of assets in the transaction, ranging from currencies and stock indices to commodities. After selecting an asset index, the following user enters the capital to bet. The minimum amount of capital used depends on the asset (Barnes, 2018; Manullang, S.O. 2020); Sudarso et al., 2021).

Then the binary options application will calculate the potential profit obtained from the transaction. The range is quite diverse, ranging from 60% - to 90% (Calonder et al., 2010). Then, the user chooses a transaction duration that varies, ranging from a few seconds, minutes, hours, or days. Finally, the user must guess within the selected duration whether when the duration expires, the index price is above or below the price when starting the transaction. If the guess is correct, the user will make a profit. However, the capital used will be forfeited if it is wrong, and the user will lose. In binary options transactions, several terms are different from those in forex, including Call or High (if the price is expected to rise) and Put or Low (if the price is expected to fall). In addition, there is also the term in-the-money if the profit or out-of-money transaction is miscalculated. The amount of profit also depends on the number paid by the broker to the Trader (Kiiskinen, 2016). The public can use several binary trading services if they are interested. Starting from Binary.com, Olymp Trade, IQOption.com, Binomo. However, some of these sites cannot be accessed without using a VPN.

According to the initial calculation, if the guess is correct, the user will make a profit. However, the capital used will be forfeited and become the user's loss if it is wrong. Investment observer and practitioner desmond Wira said that the proliferation of *binary options* in Indonesia could not be separated from the convenience it offers. Instead of *trading* using indicators, *binary options* only need to guess, so they are more like odd-even or big-small gambling. "This is exacerbated by the presence of *affiliates from binary options* platforms which show off their luxurious lives so that people are tempted and encourage them to try it," desmond recently (Barnes, 2021).

### III. Research Method

In the second part, the author will describe the method of carrying out this literature review to understand the legal status of binary options trading in Indonesia (Hennink et al., 2020). To discuss it, we need some data from evidence from field studies that have been tested for validity and reliability in answering Binary Options business problems. For this purpose, we have searched for data that will answer this problem with validity, which involves data analysis such as the data coding process, in-depth interpretation, evaluating of the data, and drawing conclusions to obtain data that can answer the hypotheses and problems of this study with high validity. After our data is analyzed with a phenomenological approach, an approach tries to understand a phenomenon in the context of general data (O'Connor & Joffe, 2020). Next, we organize it into a scientific presentation that is ready for us to communicate and that is easy to understand in a descriptive qualitative research design. Because this study is a secondary data presentation, we do not conduct this study by searching for data in the Field, but we do everything electronically; namely browsing several publications in the form of books, scientific journals, and also websites, all of which actively discuss issues of the existence and legal status of Binary Options trading in various communication contexts and other academic presentations, and sharing sessions. Thus the search process and description of carrying out a business literature review, both from the formulation of the problem to the stage of reporting the study results (Guest et al., 2020).

### III. Results and Discussion

#### 3.1 Associates Can Be Imprisoned

The presence of these associates is entrusted with welcoming individuals to exchange on the double choices stage; then, they will get a commission (Hasanuddin, 2019). From the news flowing, the commissions got by offshoots can reach 70% of the exchanges of clients who lose or lose cash. The rest will simply go into the dealer's pocket. The director of the Investment Alert Task Force, Tongam L. Tobing, immovably expressed that the presence of the subsidiaries had disregarded the regulations and guidelines in Indonesia, one of which was Law No. 8/1999 on Consumer Protection. "In article 9, it says there; business actors are prohibited from offering, promoting a service incorrectly, as if offering something that contains uncertain promises (Puspitasari & Rachim, 2021). These are uncertain promises; this is a violation of the Consumer Protection Law," In addition, the *affiliate* also violated Law Number 32 of 1997 concerning Commodity Futures Trading. This is because it is stated in article 57 that each party is prohibited from directly or indirectly influencing other parties to conduct futures contract transactions by persuading or giving unexpected expectations. In practice, these *affiliates* implement this by inviting and giving the lure of profits if they join. According to *Tonga*, what the affiliates are doing can also be considered fraud because their activities are suspected of being detrimental to the community. "The transactions are unpredictable, so the *affiliates* get the profit, most of the losses for the community. So, people who feel aggrieved by this *binary options affiliate* can report them to the police so that they can be legally processed" (Mukarromah, 2021).

#### 3.2 Public Awareness needs to be improved on Binary option

The role of the investment alert task is to handle entities that carry out activities without going through blocking to prevent more public losses. In addition, SWI also submitted information reports to the police (Brits, 2016). Besides, Tongam said his party has, up until this point, halted exercises and made declarations to the general population. Moreover, as parallel choices exercises are completed utilizing the web/application, SWI blocks admittance to locales and applications. In the meantime, in light of CoFTRA information, all through 2021, 92 paired choice spaces have been hindered. Several *binary options platforms* that are pretty popular, such as Binomo, Octa FX, Olmyprade, to IQ Option, are still often milling about their advertisements on various social media. The four web domains were repeatedly blocked by CoFTRA last year. Even now, access to the web has been blocked. It is just that if people use a VPN, all four can still be accessed (Hasanuddin, 2019).

Furthermore, Guides (2018) said his party has stopped activities and made announcements to the public so far. In addition, as *binary options activities* are carried out via the web/application, the investment alert task blocks access to sites and applications. Meanwhile, based on CoFTRA data, throughout 2021, 92 *binary options domains have been blocked*. Desmond added that apart from the unlicensed regulatory side, *binary options* in practice are detrimental (Cofnas, 2016). First, *trading* in *binary options* is the same as *trading* against a broker (*house*). The thing is, no one can win against the house. Maybe people can win once in a while, but not in the long run. House can do anything because he controls everything. Then, the profit is not maximized as the *payout* from *binary options* is below 100%. Thus, *binary options traders' risk* is always more significant than the *reward*. For example, the *payout* offered is 60%, meaning the *Risk to Reward ratio* is 1: 0.6, sacrificing 1 to get 0.6.

### **3.3 The reason Binary is banned in Indonesia**

Exchanging has for quite some time been a better approach for bringing in additional cash from monetary items like stocks or forex (Hasanuddin, 2019). With the present progressively modern innovation, many new kinds of exchanging have jumped up, making exchanging a side work choice, even the primary one for some individuals to get pay or benefits many times over. Binary options trading is one form of online trading that is currently taking the attention of many people due to various factors. One of them is because of its illegal status in Indonesia and its resemblance to the concept of online gambling. So, what exactly is binary options trading? (Barnes, 2021).

### **3.4 People are confused about finding the Best Usiness Trading**

So what is binary options trading? President Commissioner of HFX International Futures Sutopo Widodo made sense that double choices are a type of internet exchanging instrument where merchants anticipate or figure that the cost of a resource will rise or fall throughout a specific timeframe. In general, transactions in Binary Options use forex assets or stock indices in practice. If the Trader guesses wrong, then they will lose, and the service provider will profit from the Trader's loss. This is what makes trading binary options or binary options illegal. Because it resembles gambling, there are other facts about binary options trading that people need to know (Nekritin, 2012).

### **3.5 Indices of Assets in the form of Forex, Stocks, and Commodities**

Users download the application on the PlayStore, AppStore, or website in playing binary options. Next, the user registers with the binary options provider and makes a deposit (Barnes, 2021). The amount of the deposit at each provider is different, but generally, it is US\$ 10. Users can choose an asset index in the transaction, ranging from currency (forex) and stock indices to commodities. After selecting the asset index, enter the capital to be staked. The minimum amount of capital used depends on the assets. Because it covers forex and stocks, many people are deceived by binary options trading, thinking that all three are the same thing even though trading forex and stocks and binary options are very different. Starting from the registration process, how to play, and the strategy (Nekritin, 2012).

### **3.6 Not Bagging Legality Permits**

Another explanation that makes double choices exchanging illicit is because it has not yet gotten a license in Indonesia. This was conveyed by the Commodity Futures Trading Supervisory Agency (CoFTRA). The permitting is in the choice controlled in Article 1 number 8 of Law Number 10 of 2011 concerning corrections to Law Number 32 of 1997 concerning Commodity Futures Trading. Head of CoFTRA, Indrasari Wisnu Wardhana, said CoFTRA has never issued a permit for Binary Options because it is an activity prohibited by the PBK Law (Dini, 2021). CoFTRA has blocked 1,191 domains of illegal investment entities in the PBK sector, including 92 domains for binary options. It is Long Known as Fraudulent Trading in the United States. In the United States, fraud using binary options has been widely reported. The most-reported complaints regarding binary options trading are; (Indraswati, 2017), refusal to credit the customer's account or refund the customer, identity theft and software manipulation to generate trading losses.

The first complaints were submitted because the trading platform did not return the promised returns, canceled withdrawal requests, refused to credit accounts, and ignored calls and emails from customers (Barnes, 2018). For the second complaint, an internet-based binary option is believed to collect customer information in copies of credit cards,

passports, and sims allegedly used for illegal activities. Observer and Trader Desmond Wira said to avoid fake trading such as binary options. In addition to understanding the definition of binary options, prospective traders must also understand the difference between them and actual trading. People can check the legality of the company from the selected trading application. In addition, those who trade stocks or forex certainly know the importance of regulation from brokers (Brito et al., 2014).

Though the binary options trading system is really like gambling and terrible, no wonder many victims started screaming. Hogarth & Karelaia (2005) makes sense of how awful paired choices work. In the first place, twofold choices can be deciphered as speculating exercises between two decisions and taken from the word bi is twofold, which implies two, and choose, which implies decision. "What did you presume? The cost. What cost? A ton, there is forex gold, stocks, and crypto," Hogarth & Karelia, (2005) made sense of, cited from his online entertainment account. The proprietor of the paired choice, or alluded to as the bookie, just makes the OTC market. This implies that they just take information and costs from the open market of these resources. "Indeed, this otc market is not off-base. However, the inquiry is would they say they are fair and take genuine information from the market? No one knows. Third, Felicia then made sense of the system. In paired choices, the broker will be requested to figure the cost from the resource within the following 5 minutes. For instance, Bitcoin foresees whether the cost will go up or down in the following 5 minutes with a bet of IDR 1 million. The broker will benefit 80% of the bet sum or IDR 800 thousand if it goes up (Ibrahim et al., 2-020).

However, if it is not right, all the cash in question will be lost 100 percent. The cash is removed by the bookie who possesses the parallel choice. "That is why this parallel choice is otherwise called money or nothing. Here we can see that the gamble reward proportion is not tantamount (Akyildirim et al., 2021). Assuming people win, people get 80%; if people lose, people lose 100 percent. The more we benefit, the higher the staging expense. The fascinating thing is that an exceptionally particular method called the payment procedure in paired choices. This method requires the dealer to expand his wagering capital 2.5 times higher, assuming he loses the primary bet. "For instance, we bet IDR. 1 million, then, at that point, we lose; in the future, we will wager IDR 2.5 million. If we lose once more, next, we will wager IDR. 6.25 million with the expectation that we can return the entirety of our lost capital, bologna (Ji et al., 2021).

### **3.7 Binary Options Insights**

The Commodity Futures Trading Supervisory Agency (CoFTRA) emphasized that Binary Options are a prohibited activity because it is not following Law (UU) Number 10 of 2011 concerning amendments to Law Number 32 of 1997 concerning Commodity Futures Trading (Suárez-Lledó Grande & Sánchez-Reyes Febrián, 2018). Binary Options are illegal because if there is a dispute between the customer and the provider, CoFTRA, the regulator in the futures trading sector, cannot facilitate the customer in mediation. For example, in Binary Options, someone guesses that the price of a financial instrument, such as forex, crypto, or a stock index, will increase or decrease within a specific time." Therefore, the public authority requests to the public not to be handily enticed by ads, advancements, and offers for parallel choices applications or sites," CoFTRA has likewise obstructed 92 double choices spaces like Binomo, IQ Option, Olymptrade, Quotes, and other comparable stages to safeguard general society. CoFTRA likewise hindered 336 exchanging robots like Net89/SmartX, Auto Trade Gold, Viral Blast, Raibot Look, DNA Pro, EA 50, Sparta, Fin888, Fsp Akademi Pro, and other comparative organizations

(Mathes & Kuss, 2021). Organization must have a goal to be achieved by the organizational members (Niati et al., 2021).

### **3.8 Not Recommend Trading Binary Options**

Indeed, this otc market is not off-base, yet the inquiry is would they say they are fair and take genuine information from the market? Third, Dempster & Lee J. (2015), at that point, made sense of the instrument. In double choices, the broker will be requested to figure the cost from the resource within the following 5 minutes. For instance, Bitcoin anticipates whether the cost will go up or down in the following 5 minutes with a bet of IDR 1 million. The merchant will benefit 80% of the bet sum or IDR 800 thousand if it goes up genuinely. However, if it is off-base, all the cash in question will be lost 100 percent. The cash is removed by the bookie, who claims the double choice. "That is why this parallel choice is otherwise called money or nothing. Here we can see that the gamble reward proportion is not tantamount. Assuming people win, they get 80%; on the off chance that people lose, they lose 100 percent. The more we benefit, the higher the staging expense (Kolková & Lenertová, 2016).

The intriguing thing is an exceptionally straightforward strategy called the remuneration procedure in parallel choices. This strategy requires the merchant to build his wagering capital 2.5 times higher, assuming he loses the top bet. For instance, we bet IDR 1 million; then we lose; we will wager in the future 2.5 million (Brits, 2016). Once more, assuming we lose, next, we will wager IDR 6.25 million with the expectation that we can return all of our lost capital, horse crap. Felicia believed that strategy was very catching. Eventually, numerous dealers lose all their capital, rather than trusting that the lost capital can return since the seller has a rationale to hurt the merchant since he profits by losing the broker. This is a market made by the market creator, which benefit is from the deficiency of others. So, they have an extensive rationale to make individuals lose. Since this is certainly not an open market, this is a market that was made something similar (Experts, 2014).

From that clarification, he is exceptionally acquainted with betting. Indeed, even this paired choice might be more perilous than betting because the bookie can change the result of the merchant's conjecture however he sees fit. Anyone can make \$1000 every day. That is the sentence that makes many people tempted to try binary options trading. It seems easy to make money trading binary. How is the reality? This article will discuss binary options trading and why we strongly discourage it. Anyone can make \$1000 every day. That is the sentence that makes many people tempted to try binary options trading. It seems easy to make money trading binary. How is the reality? This article will discuss binary options trading and why we strongly discourage it (Guides, 2018). After that, there is no need to set anything else. Just waiting for profit or the money runs out. That is why many lazy people are interested in Binary Trading. In practice, if we look at how to trade Binary Options, this is just like a "Big - Small" or "Odd-Even" bet (Basdekidou, 2017).

### **3.9 Why Don't we Recommend Binary Options?**

Numerous standard individuals do not understand that Binary Options have numerous inconvenient things. Due to these things, we firmly deter anybody from exchanging Binary Options (Watson, 2014).

### 3.10 Guideline

For the individuals who exchange stocks or forex, they know the significance of guidelines from a merchant. Legitimate stock or forex representatives must be managed by the public authority assortments of their particular nations—for instance, a stock intermediary in Indonesia by the Financial Services Authority (Strauss, 2015). All parallel choices are not managed under state monetary organizations, regardless of whether they guarantee to be controlled, just under specific non-legislative or betting associations. Without the help of strict guidelines from the public authority, it ordinarily turns out to be a trick or misrepresentation. Double choices are prohibited in numerous nations as a type of betting. The FBI is supposedly researching twofold choices tricks all over the planet. The European Securities and Markets Authority has restricted twofold choices exchanging. On January 30, 2018, Facebook restricted promotions for twofold choices exchanging. Google and Twitter declared comparative boycotts before long. We could say, in created nations, Binary Options are not sold and are disallowed. They presently focus on regular clients in the subsequent world or the third world (Cofnas, 2016).

### 3.11 Trade Against Binary Brokers

In stocks, merchants exchange against different brokers (Kiiskinen, 2016). In like manner in forex (at intermediary type Dealing and Non-Dealing Desk). Here the agent just capacities as a go-between for exchanges. Be that as it may, in Binary Options, the merchant generally exchanges against his dealer. People come to the club and afterward bet against the gambling club itself (House). Nobody can win against the house. Perhaps people can win on occasion, yet not over the long haul. There is nothing that the house cannot do because he controls everything (Nekritin, 2012).

### 3.12 Ability to Generate Profit Castrated

Remember Payout in Binary Options? With a minimal payout, below 100%, the Trader's ability to generate profits is castrated. Thus the risk taken by a Binary Options trader is always more significant than the reward. The Risk to Reward Ratio in Binary Options is always detrimental to the Trader. For example, Payout 60% means that the Risk to Reward ratio is 1: 0.6. They are sacrificing one to get 0.6 (if you can). In contrast to stock trading or forex, there is no limit to the profits that can be generated. The Risk to Reward ratio can be 1:2 or 1:3 or 1:4, and so on (Goodman & Puri, 2021). With such a Risk to Reward ratio in Binary Options, traders will tend to experience losses in the long run.

### 3.13 Ability to Manage the Risk of Castration

Trading stocks or forex can manage their respective risks. Can take a small risk proportion compared to capital by placing a stop loss or cut loss. On the other hand, binary options traders cannot do that. The risk taken is always maximum, meaning that 100% of the money used to open a position will run out if people lose (Kiiskinen, 2016).

### 3.14 Castrated Flexibility

Regular options have a long expiry time that can be months. However, in Binary Options, the expiration time is short (Kolková & Lenertová, 2016). Thus, the price rarely reaches the level determined by the broker until the expiration date. This means that traders are forced to trade short-term. The problem is that short-term trading is more likely to lose than win. While in stock or forex trading, we are free to choose to trade in any timeframe. It can be short-term, medium-term, or long-term.

### **3.15 Cannot Save If People Predict Wrong**

After opening a position, a stock or forex trader can act if, for example, the market moves not as expected. He can close trading positions early, with minimal losses. On the other hand, binary options traders cannot do anything. People can only wait for the money to run out if the market does not move according to their expectations (Sonnemann et al., 2020).

### **3.16 Is Binary Options Trading Profitable?**

Trading binary options may be profitable once or twice, but it will not be profitable cumulatively (Kolková & Lenertová, 2016). The Binary Options trader is like going to war on a dangerous battlefield (not well regulated) against a mighty enemy (binary broker) whose weapons are massive (risk), but the weapons themselves are tiny (reward)—forced close combat (not flexible)—moreover, chained too (cannot run if you feel defeated). There is no mercy; the loser is killed immediately (all the money runs out). Traders who understand the correct trading principles will not want to touch Binary Options. Many people call themselves Binary Options traders, but if people look at the characteristics of Binary Options, they are more like gamblers than traders. What we applaud about Binary Options is only one, which is the cleverness of the maker to create trading instruments that look simple but are very trapping and only benefit the maker. Many binary options traders complain about why binary options trading keeps losing.

### **3.17 The Dark Side of Binary Options Trading Cheating**

While assuming a pretense of a Trading Instrument, "CoFTRA has never given a permit for parallel choices since an action is denied by regulation" (Bigiotti & Navarra, 2018). People are talking about twofold choices exchanging instruments, frequently called parallel choices. Many have lost from the aftereffects of this illicit speculation instrument. The buzz of promotions via web-based entertainment and individuals of note who likewise jazz up twofold choices have turned into a magnet for individuals to attempt this kind of electronic exchanging. Be that as it may, this paired choice has been formally announced illicit by the public authority, and the stage has been shut. However, what precisely is this paired choice instrument? Twofold Options Set Illegal in Indonesia. In Indonesia, the lawfulness of business entertainers in the Commodity Futures Trading area is managed by the Commodity Futures Trading Supervisory Agency (CoFTRA), which is under the support of the Ministry of Trade (Stevani & Disemadi, 2021).

Acting Head of CoFTRA, Indrasari Wisnu Wardhana, expressed that the twofold choices framework is a restricted action. "CoFTRA has never given a grant for paired choices since an action is denied by regulation," Co. id, Wednesday (26/1). This action is viewed as not as per Article 1 Number 8 of Law Number 10 of 2011 concerning Amendments to Law Number 32 of 1997 concerning Commodity Futures Trading. This guideline makes sense in that choices give the purchaser the option to execute fates agreements or wares. Likewise, the choice must not be entirely set in stone ahead of time through a premium installment. Eventually, the public authority shut 92 paired choices spaces in Indonesia, some of which are Binomo, Olymtrade, IQ Option, and Quotes. To prevent the emergence of similar domains, the government plans to hook app store providers such as Google and Apple to block related binary options services (Kooy, 2014).

The Ministry of Communication and Informatics will also carry out digital literacy for the public to use legal applications. Public Figures Enlivening Binary Options One of the causes of the widespread use of binary options applications in Indonesian society is public figures who also use the application. The binary options platform uses affiliate



marketing tactics, where the selected affiliates are public figures. Affiliate itself means a party that promotes a product to other people. Generally, affiliates are chosen because they have the power to influence other people to use the products they promote. In this case of binary options, the affiliates attract new users by showing off the profits from their trades. To that end, the Investment Alert Task Force summoned these affiliates for facilitating binary options products that are not registered with CoFTRA and are suspected of conducting trading training activities without a permit (Adzhemov & Kudryashova, 2018).

Some public figures are also an entrepreneur with countless adherents on Instagram and YouTube telling about the start of the first experience with parallel choices. "People began effectively involving the parallel choices stage in 2018, then, at that point, made related content in 2019. The discourse was seen by 3000 endorsers, which later developed to 1,000,000 supporters. YouTube content is overwhelmed by instructive substance on putting resources into stocks, crypto, and twofold choices.

#### **IV. Conclusion**

In this final section, the author will describe the conclusions discussed in the literature review section, which aims to explain and understand Indonesia's legal status in the binary options trading business in an era of all-digital business. We believe that through the amount of literature content from various sources, both at home and abroad, we have answered the core of the problem times. Finally, we can conclude that one binary options trading law is prohibited; this is because the business is full of speculation, the same as the gambling business, so it was banned from the religious assembly group, as evidenced in the form of a review study that we describe in the results section what we have concluded between another that each must get legality from the government authorities can issue a law on consumer protection. Next, we have also found out why binary business is prohibited. This is none other because the binary business is a business that uses funds and seeks profit, and sacrifices the parties and consumers.

Furthermore, based on the cubic confusion over the walnut business, the state as the regulator has anticipated providing the public with a clear understanding of its existence today. He continued, we review that every business operating in Indonesia must legally have a toddler so that a business that was previously profitable but does not benefit one party, in other words, is detrimental to consumers, the public. Likewise, we throw in how essential inputs from the options business need to be understood by the public. Furthermore, we also mention why the government does not recommend binary options, and the answer is because it does not comply with the criteria for a business permitted in Indonesia, of course, after getting a series of studies. Thus, we conclude that, in addition to bringing advantages, we also have four disadvantages, so we hope for improvements in the form of contributions for the future.

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