

The Effect of Binary Option Trading in Social Phenomenon: Indonesia Case

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Abstract—Binary options trading consists of derivative instruments. There are several factors that contribute to the misunderstanding of community perceptions of financial instruments in this case, Binary Option trading. To begin with, provide education and understanding of financial instruments and investments while dissecting the differences between them. A discussion is held of the fundamental and evaluate money in Binary Options trading, which is the cause of the disruption of the understanding of investment instruments in the social community. The authors evaluate the support factor of the social phenomenon of binary options which results in many material losses. Conclude what is happening in the social scope of Binary Option trading and provides suggestions and solutions and precautions for not to be unwanted. Essentially, this research aims to provide a true understanding of financial instruments, especially binary options that have been abused by many individuals during the discussion of binary options concept, as well as the strategy they employ to avoid the bandages of criminal law. This study utilizes the qualitative method of analysis based on literature reviews of several journals and case study analysis of events that have occurred in the social environment. Ultimately, it is expected that the results of this study will contribute to the development of educational development and increase awareness of Indonesian society.

Keywords—binary option trading, financial investment, financial instruments.

I. INTRODUCTION

In order to understand the financial instruments in which we are investing, we must first understand the difference between investment, trading, short selling, scalping, gambling, and OTC (over the counter) markets. In addition, trading at the same time includes short selling and scalping, which is an investment activity in which a return is expected or more prophetic through the capital exchange or difference between the two at a predetermined time. Gambling is a "complaint" by predicting the options he considered right. In this case, gambling, has been transformed from traditional forms such as dice, toggle, thrown, as the technology of the technology has advanced. The platform is disguised as "Investment Instruments", commonly known as Binary Options.

Presently the Binary Option platform utilizes the OTC market as its operational platform [12], although they make no use of real market data to display graphics on their platform. In other words, they can manipulate or engineer the graphs on the screen as they see fit. The reason this

can be done is that the OTC Market is basically a secondary market or a different market from the official markets of trafficking. Thus, the owner of the platform can easily modify a portion of the graph to suit their preferences.

To apply this, the developer platform will make the rules for the players in the form of a lower return profit than the defeat with the player's example will get the Ret's rest of 80% of the Bet capital on their victory and will lose 100% of the bet capital if they lose. An advantage of 80% is achieved when "playing" at a particular time is at any time when real-time markets are crowded for the forex or some other financial instrument. During a player's break, the automatic platform algorithm will adjust the returned by the player who even at certain times of the day will only receive 30-40% of the capital bet they placed, while the platform will still receive 100% if the player experiences defeat.

Even on the Russian market, there is no single internet portal offers a binary option on its activities, because these types of documents are missing [13]. Based on this phenomenon Russian binary option internet sites are not more than an online casino [14].

Based on the above explanation, our research objectives are to analyze how binary option works and increase awareness in Indonesian society. While there is a significant difference between understanding financial and investment activities. However, this is still a bias in the layman of the main, who is not familiar with the financial aspects of the business.

II. LITERATURE REVIEW

Binary Option is a new tool of the financial market which has two possibilities of the correct and wrong selection expressed in binary numbers [14]. The mechanism used in the Binary Option platform is a binary mechanism up or down the value of an asset or commodity that is underlying or commonly referred to as a derivative market product [7]. Binary Option uses a futures trading system that is there is a contract future or a certain deadline at any remaining payment that has been paid [11].

A. Difference of market type

Prior to discussing Binary Options, it is imperative that an understanding of Primary, Secondary, and OTC (Over the Counter) markets is obtained. The prime market occurs when the issuer sells its securities for the first time to general investors [16]. In order to offer shares to the Prime Market, the issuer company must provide detailed information about the company (prospectus). The secondary market is the market where the effects that have been listed on the Stock Exchange are traded [8].

Investors have the opportunity to buy or sell the effects recorded in the exchange after the implementation of the prime offer on the secondary market. The effects are traded between investors on this market. OTC Market is a trading mechanism with direct exchange systems between market participants [12]. At first transaction operational on Binary Option can only be done through Chicago Board Options Exchange (CBOE) of the Chicago trading options that exist in the United States. But over time, not a little binary option transacted on over the counter (OTC) market [14].

B. Binary Option Market Type Classification

In this case, Binary Options fall into the OTC market category, however, Indonesia has not yet permitted their operating business that indirectly has the meaning of an investment instrument [11]. Binary Options offer a two-way chance or opportunity that allows players to choose the ride or the down direction when it comes to buying or selling an instrument traded in the market. Other investment instruments also use this mechanism, such as forex (foreign exchange) or foreign

currency trading. Two-way opportunity is based on a system where the market price will rise when the player selects up while the market price will fall when the player selects down. In the same way, if the market price goes down and the player picks up, then the player will benefit while if the price of the player goes down, the player will lose.

In the buy or up option, the stake or wager will use the player's capital whereas the selling or down-to-choice option will be provided by the trader in the form of traded assets which will be taken in compensation if the player loses and added if the player gains [16].

C. Previous Research

Previous research that has been reviewed by Rohmini [11] on Binary Option practices in Indonesia and the temptations offered through various ways by platform developers have manipulated the minds of the lay people of the binary option of the difference and the difference with investment in the capital market. Developer Binary Optform platform through a marketing strategy is quite massive and fast plus with high profit temptation with a short time making information about education on investment to bias in the community [15]. Because many lay people are rapidly raw information to them and the information is not faster than the binary option marketing strategy is present when many lay people are trapped in losses when they play on the binary platform of the option. Binary option needs a fundamentals of this market's work and a clear legislative regulation that can eliminated the problems [14].

III. Research Method

This research is using qualitative methods derived from secondary data. A secondary data set consists of primary, secondary, and tertiary article materials. Consist of scientific works, including books, journals, and other related scientific works related to the explanation about binary option. Then, based on the material we collected; we create a comprehensive analysis to enhance the binary option analysis.

IV. Result & Discussion

When it comes to the Binary Option system, the application of OTC Mechanisms or two-way opportunity way systems will not be the same as the overall on the operating platform. An example of the OTC market mechanism that should trade real assets is that the developer of the Binary Option used the real market time as a means to fool the application of the user and use the term OTC market to build confidence in the Binary Option market. Additionally, they apply the same concept to the two-way opportune mechanism. The concept of two-way opportunity is combined with that of futures trading or, more commonly, futures contracts. Trading in futures is subject to deadlines.

1. Binary Option Is Not Investing or Trading Platform

Binary Option Trading is a trading activity with a futures contract system in a certain period to determine the movement of a value of traded [8]. As a trading platform, Binary Option is more like a gambling platform than an investment platform. Binary legality of the option cannot be dealt with in a legal way because OJK (Financial Services Authority) has confirmed Binary Option is an illegal system since the items are not traded. Furthermore, there is no trading of goods because the player only purchased the manipulated value that

has been taken from real-time markets by the platform developers. So the traded value is just nominally narrow in any backup of any asset.

2. Binary Option Legality on Few Country

The UE-Financial Regulatory Institute has banned Binary Option to operate in their territory [8]. Binary options trading has finally entered Indonesia's contract category futures. The futures contract has been set up in Law 11 Number 2011 concerning commodity futures trading, Law 49 of 2014 and Per-Bappebti 3/2018. Under the law, brokers can do binary options transactions as futures contracts, as long as they follow the provisions that have been set. The Commodity Trade Administration Agency (BAPPEBTI) Commodity Trade Regulator Institute in Indonesia through press release dated February 2 February 2022 has claimed blocking to several Binary Optics platforms such as IQ Option, Quotex, Olymp Trade, Binomo and 88 Other Binary Options platforms [11].

3. Binary Option Indonesian Market Entry Strategy

Binary Option Early entry into Indonesia is in 2008 when online trading and investment are still exclusive for the community and its average players are companies or people with high income [7]. Using influencer marketing to enter the Indonesian market, Binary Option uses a massive and sustainable marketing strategy. Moreover, they also do the burning strategy of money through referrals for later the owner of the code that will be obtained some of the bonus balance. To close the financial balance of their balance sheet, platform developers must continue their business expansion to the broader market targets. Low minimum balances are one of their ways to expand the market. Initially, the community with the most money will be able to afford the program for children as well.

4. Mass Misperception About Binary Option

Many people are trapped in the Binary Options field due to the conditions that exist. Tempo reports that there are 8 victims of binary options who have lost Rp 2.4 billion. Even hundreds of thousands of people will make reports to Binary Option platform developers from the same source. Many members of the small part of reporters are not reporting on the losses they are experiencing. In general, the mass losses in this community are the result of the lack of education on investing plus the attachment of the public opinion made by the company that developed the binary options platform. There are different types of marketing strategies used by platform developers, which range from price plans to word-of-mouth marketing. Influencers are paid to persuade consumers to make a purchase. Combining both of these strategies, the platform can reach a large market share of people who haven't been educated about investing yet.

V. Conclusion

There are several regulatory institutions in Indonesia, such as the OJK and Bappebti to the Ministry of Finance (Kemenkeu) taken steps to restrain binary option movement that started in Indonesia in 2008. However, the Binary Option platform developer company has used business political maneuvers to face regulations that focus on them, one of which uses the statement quoted from the regulation of the commodity trading watchdog in the sense

of trading with futures contracts implying similar trade in Indonesia. Due to their massive marketing strategy and political maneuvers, they were able to manipulate lay people who had not received investment education. This allowed them to expand the business to broader markets by lowering the minimum deposit value. It's known as anchoring marketing by using the first price as a bait to capture the community, and the second price is generally lower to catch their prey using target market psychology. Binary options are not just experienced by a few people but have become a social phenomenon experienced by almost all ordinary people who see and hear for the first time about the pleasures of binary options, which they consider money-printing machines. That not a few falls into a trap set by the binary options platform development company.

Although the findings provide valuable information regarding binary option in Indonesia, the present study has a few limitations. The lack of evidence in previous literature who determine binary option analysis is one of the limitations in this study. There are not many studies who wrote about the topic. And for the future research, a quantitative analysis should be provided to gain the real perspective of Indonesia user. Otherwise, a big data perspective in binary option platform through reviews can be consider another method as the lack of evidence in previous literatur

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