Beware the ‘Next Big Thing’ in Investing
Department of Financial Institutions Cautions Investors on 3 Products

FRANKFORT, Ky. (Nov. 13, 2015) – The Department of Financial Institutions (DFI) today issued an advisory reminding investors to be cautious when considering investing in three products recently making news: marijuana-related investments, binary options and digital currency.

“What these three very different products have in common is their recent emergence as investments that both sellers and buyers hope will become the ‘next big thing,’” said DFI Securities Division Director Shonita Bossier. “We wanted to alert Kentuckians in the event they are approached regarding these types of investments. Before investing, the investor needs to understand what the product is, its benefits and its risks.”

The advisory, located on DFI’s website at http://kfi.ky.gov in the “Breaking News” area, includes information on each of these products, including their risks.

Marijuana-related Investments
As more jurisdictions clarify their legal definitions on the growth and use of medical and recreational marijuana, an increasing number of companies focused on the marijuana industry are seeking funds from investors. Marijuana investment opportunities could be particularly susceptible to scams, such as a ‘pump-and-dump.’ In this scheme, the promoters use misinformation to pressure investors to get in on the ‘ground floor,’ thereby inflating the company’s share prices. Then the promoters sell, leaving buyers with worthless shares.

“While any investment can be turned into a scam such as a pump-and-dump, the high-profile nature of the marijuana industry at this time may make an investment seem attractive. To avoid becoming a victim, it’s important to research any opportunity to make sure it’s a legitimate offer,” said Bossier.

Binary Options
A binary option contract is based on the investor’s prediction of an underlying security’s value at a predetermined date. There are only two possible outcomes: the investor may receive a fixed amount of money for guessing correctly, or lose the entire investment for guessing incorrectly.
“Binary options are basic options contracts that more resemble online gambling than a traditional security or investment,” Bossier said.

**Digital Currency**

Bitcoin and other digital currency remain in the headlines as new exchanges emerge claiming to be licensed and regulated by federal, state or jurisdictional financial authorities. Also, a growing number of brand-name retailers are accepting digital currency as payment for goods and services.

“Since different countries and jurisdictions have little uniformity on how Bitcoin and digital currency is regulated, scammers will take advantage of the confusion and contradictions to misinform potential investors,” Bossier said.

**Investigate Before You Invest**

“The bottom line is that before making any decisions with your money, ask questions, make sure you understand the risks, and check with DFI’s Securities Division before you invest,” Bossier said.

To check out an investment product, or the person selling it, contact DFI’s Securities Division toll-free at 800-223-2579 or visit [http://kfi.ky.gov/public/Pages/invest.aspx](http://kfi.ky.gov/public/Pages/invest.aspx).

DFI, [http://kfi.ky.gov](http://kfi.ky.gov), is an agency in the Public Protection Cabinet. For more than 100 years it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI’s mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.

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