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4		<a href="#">Anvoption</a> Bonus: \$Up to 20%	<a href="#">Visit</a>
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The Best Binary Options Broker

**Binary option** is a type of an option contract, a type of derivative financial instrument, where the final payment is either some fixed amount of an underlying asset or nothing at all. A binary options broker is an individual or a firm or corporate entity that offers binary options for trade.

What is An Option in Finance?

An option is a financial derivative product that defines a contract between two parties for a future transaction. The contract specifies a reference price, known as the strike price, of the underlying asset. It also has an expiry date. The buyer gets the right, but not the obligation, to engage in the future transaction. The seller, on the other hand, gets the obligation to complete the transaction. The price of an option is determined by the difference between the strike price and the price of the underlying asset (stock, bond, ETF, currency value or any other financial instrument) plus a premium based on the time remaining for the expiry of the contract.

A call option conveys the right to buy an asset at the strike price, while a put option conveys the right to sell the underlying asset at the strike price. The broker, which may be binary options broker or an options broker, collects a premium from the traders writing the option, the term used for describing assuming the obligation.



# What is a Binary Options ?

Binary options are known as such because there are only two outcomes possible in a binary options contract. They are also known as cash-or-nothing options and fixed return options. Fixed return options are commonly known as American style options while binary options are European style options. In interest rate and forex market, binary options are sometimes referred to as digital portions.

A binary options broker generally offers two types of binary options; cash-or-nothing and asset-or-nothing. On expiration, the cash-or-nothing option pays some fixed amount, while the asset-or-nothing option pays the value of the underlying asset provided they are in-the-money on the maturity date.

An example of binary option: suppose a trader buys a binary cash-or-nothing option for a currency pair at the strike price of 1.2563 with a binary payoff of \$100. If the price of the currency pair is at or above the strike price, the trader receives \$100. If it is trading below that level the trader gets nothing at all.

## Why Trade in Binary Options

Trading of any type is associated with risks. Even binary option trading has its risks but there are certain distinct advantages of this type of trading. Unlike other financial markets, the market for binary options is simple and intuitive. All it takes is three clicks on the platform provided by the binary options broker and depending upon the contract, you get results within hours or days. Some [binary options brokers](#) allow traders to gain back a percentage of the initial capital outlay if the prediction proves to be correct. If the market moves against the trade, the result depends upon what is stipulated in the contract. In fact, this is one of the aspects that traders need to look into while choosing a binary options broker.

The forex market is a very fast paced market in which more than \$100 billion worth of transactions take place on a daily basis on the open over-the-counter exchanges. One would think that such huge volumes and speculative activity would create imbalances in the market. However, the fact of the matter is that the retail forex market, the segment of forex market we are talking about, is only a small percentage of the institutional transactions that are routed through the Bank of International Settlements or what is generally known as the interbank foreign exchange market.

Institutional participants in the foreign exchange market trade mostly on behalf of their clients such as hedge funds, businesses (importers and exporters) and sometimes on their own accounts. These account for almost 80% of the total annual turnover in the forex market, which is estimated to be above \$4 trillion.

In such a scenario, it is extremely difficult for a small forex trader to bet on price movements of foreign currency. It is because of this that binary options have emerged as the preferred choice for people wanting to participate in the retail forex market. A forex binary options broker provides traders the opportunity to trade binary options in cross rates of major currency pairs such as GBP/JPY, USD/JPY, GBP/USD and AUD/USD.

The forex binary options market offers the small trader the opportunity for getting a fixed return with hourly or end-of-the day payouts. A binary options broker allows traders a simple trade; all that the trader needs to do is to predict whether the price of a certain currency pair or any other asset, will increase or decrease in value.

## Choosing a Binary Options Broker

Binary options contracts have been available since long over-the-counter, which means that the binary options broker sells directly to the trader. Exchange-traded binary options were often considered as 'exotic' financial instruments and also seen as complex contracts. However, ever since the Options Clearing Corporation (USA) changed the rules to allow listing of cash-or-nothing binary options, many binary options brokers have sprung up the World Wide Web offering simplified versions of exchange-traded binary options on online trading platforms.

The binary options broker provides a trading platform, which is primarily a computer system. It may be a downloadable version or a web-based platform or both. Web-based platforms are more preferred as they allow traders to create, close and manage their positions from their mobile devices even when they are on the move.

As it is with every other broker of over-the-counter financial instruments, the primary thing to look for is regulatory compliance. Binary option scams are not unknown and it pays not to get lured by attractive promotional offers. Choose a binary options broker after proper research and studying and the features of each broker to arrive at the one that is best suited to your needs.

### Bottom Line

It pays to keep in mind that choice of a [good binary options broker](#) is as important to success as is a clear understanding of the options market and conditions of each option. Moreover, the terms in binary options market are different from those prevalent in other financial markets.



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