

FOREIGN FOREX TRADING PLATFORMS ARE ILLEGAL IN INDIA

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

There are chances that you may have come across advertisements of online forex trading platforms on social media. Many of them also advertise in the local Indian languages. The ad, typically, talks about how you can easily trade in the forex market and make quick money.

Many of these forex trading platforms are popular around the globe. However, they are illegal in India.

They execute binary trades. It means, the trader either gets a fixed amount or nothing. For example, you can bet on whether the US dollar would fall against the Indian rupee. If it does, you get a fixed amount. If you lose, the platform keeps the money. Such binary trades are not permissible in India and many other parts of the world.

Binary transactions are between the platform and the trader. There is no third party involved. If you look at how stocks trading works; the exchange's role is to provide a platform that facilitates trades between the buyer and seller.

Many online platforms offer high leverage to users. Some even advertise 100 times the investment amount. If you put in 1,000, you can trade for 1 lakh. They can do so as there is no third-party involved. Even if the trader utilizes the margin, the platforms have nothing to lose as they don't have any liability to pay it to a third party.

Binary trades are not permissible under the Foreign Exchange Management Act (FEMA). According to the Reserve Bank of India's Liberalized Remittance Scheme, a person cannot use the money transferred abroad for speculative purposes or to provide margin money for trading. It allows investments but on delivery basis.

In India, individuals can trade in forex on stock exchanges but with restrictions. For example, there are only four available currency pairs – US Dollars (USD), Euro (EUR), Great Britain Pound (GBP) and Japanese Yen (JPY). Due to these restrictions, the forex market in India is smaller compared to many other developed markets. An investor can trade the four pair by opening a trading account with a broker.

There are also chances that you can fall prey to fraudsters claiming to be an online forex platform. It has happened in the past. The trader wins small trades initially. But as transaction amounts increase, the person starts losing money. Within a few months, the platform winds down its operations.

Click here to read the [Mint ePaper](#) Mint is now on Telegram. Join [Mint channel](#) in your Telegram and stay updated with the latest [business news](#).

Log in to our website to save your bookmarks. It'll just take a moment.

Oops! Looks like you have exceeded the limit to bookmark the image. Remove some to bookmark this image.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS.com