

Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION— D. Md.: Orchestrator of \$145M binary options fraud must now face the music, (Aug. 9, 2019)

Securities Regulation Daily Wrap Up

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cfu=Legal&cpid=WKUS-Legal-Cheetah&uAppCtx=cheetah](http://resource.stg.cch.com/resource/scion/document/default/sld01f4928bb67d5e10008dff005056885db606?cfu=Legal&cpid=WKUS-Legal-Cheetah&uAppCtx=cheetah)

By [John M. Jascob, J.D., LL.M.](#)

Promised returns of between 17 and 20 percent were false claims intended to deceive investors.

A federal jury in Maryland has convicted the former CEO of an Israeli sales and marketing company of wire fraud for her role in a global binary options scheme that defrauded investors of approximately \$145 million. After a three-week trial, the jury found Lee Elbaz, the former head of Yukom Communications, guilty of fraudulently selling and marketing binary options to investors located in the United States and abroad through two websites, known as BinaryBook and BigOption. Elbaz now faces sentencing on December 9 ([U.S. v. Elbaz](#), August 8, 2019).

As alleged in the indictment, Yukom provided retention services on behalf of BinaryBook and BigOption with the objective of obtaining additional deposits from investors who had previously made deposits. In this role, Yukom salespeople sometimes referred to themselves as "brokers" or "traders" to potential investors. [According to the government](#), Elbaz and representatives of Yukom, BinaryBook, and BigOption conspired to obtain the maximum deposit from investors and to take steps to ensure that investors lost the money in their accounts—thereby making money for themselves and their brand in the process.

Among other things, Elbaz and her co-conspirators and subordinates made false statements and material omissions regarding the alignment of the financial incentives of the representatives of BinaryBook and BigOption with those of the binary options investors. In some instances, representatives were advised to state to investors that "we have a mutual interest—the more money you make—the bigger the commission I take." In fact, Elbaz and other representatives of at Yukom and elsewhere received commissions based on net investor deposits, not investor profits.

Elbaz also conspired to misrepresent the suitability of and expected return on investments and whether and how investors could withdraw funds from their accounts. One call script advised representatives to state that "[m]ost of my clients make between 17 and 20 percent monthly on their investment; you can start trading conservatively to generate a 17 percent return" and "I wish for this account to serve as an [sic] long term investment account." Representatives also provided investors with false names and qualifications and falsely claimed to be working from London.

"This verdict demonstrates that the Department will hold accountable those who deceive American investors with false claims and rates of returns," said Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division in a [news release](#). "We are committed to prosecuting financial fraud, even when perpetrated from abroad."

The case is [No. 18-cr-00157](#).

Attorneys: Barry Joel Pollack (Robbins, Russell, Englert, Orseck, Untereiner & Sauber LLP) for Lee Elbaz. Ankush Khardori, U.S. Department of Justice, for the United States.

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