

Federal Appeals Court Revives Lawsuit Against Binance Over Unregistered Tokens



In a significant turn of events, a federal appeals court has breathed new life into a lawsuit targeting Binance, the renowned global cryptocurrency exchange, for alleged violations of U.S. securities laws. Investors had accused the platform of selling unregistered tokens, which subsequently incurred substantial losses in their value.

Plausible Allegations of Securities Law Violations

The 2nd U.S. Circuit Court of Appeals in Manhattan, in a unanimous 3-0 decision, reinstated the lawsuit, emphasizing that investors had credibly asserted the applicability of domestic securities laws. This assertion stemmed from the irrevocable nature of token purchases within the United States, facilitated by Binance's use of domestic Amazon computer servers for its platform hosting.

Legal Justification and Reversal

Circuit Judge Alison Nathan underscored the significance of Binance's server infrastructure within the U.S., particularly in light of the exchange's reluctance to acknowledge the regulatory frameworks of other countries. The decision overturned a prior ruling by U.S. District Judge Andrew Carter in Manhattan, directing the case back to his jurisdiction for further proceedings.

Tokens and Investor Claims

The lawsuit encompasses investors who had acquired seven specific tokens - ELF, EOS, FUN, ICX, OMG, QSP, and TRX - through Binance, beginning in 2017. These tokens experienced substantial depreciation shortly after purchase, prompting investors to allege Binance's failure to disclose the associated risks adequately.

Assertion of U.S. Securities Laws

Binance had contended that U.S. securities laws were inapplicable due to its offshore location, invoking the precedent set by the 2010 U.S. Supreme Court decision in *Morrison v National Australia Bank*. However, the appeals court's decision suggests otherwise, signaling a potential shift in the interpretation of extraterritorial jurisdiction concerning securities laws.

Response and Next Steps

In response to the court's decision, Binance and its legal representatives refrained from immediate comment. Conversely, Jordan Goldstein, representing the plaintiffs, expressed satisfaction with the court's validation of their claims. Meanwhile, this lawsuit stands independent of Binance's recent legal entanglements, including a guilty plea and significant penalties for breaching federal anti-money laundering and sanctions regulations.

Future Proceedings and Leadership Changes

Notably, Binance founder Changpeng Zhao's guilty plea for money laundering violations, coupled with his resignation as chief executive, adds a layer of complexity to the unfolding legal saga. Zhao's sentencing is scheduled for April 30, further underscoring the ongoing repercussions for the exchange.

Don't be a silent ninja! Let us know your thoughts in the comment section below.