

Former Binance CEO pleads guilty to violating US anti-money- laundering requirements

Article

The news: Last week, the former **Binance** CEO Changpeng Zhao [admitted to](#) facilitating transactions with sanctioned groups and encouraging US users to obscure their locations.

- Binance will pay fines totaling over \$4 billion to settle civil and criminal allegations.

What happened at Binance? Binance appointed a new CEO after its former leader stepped down.

- Its new leader declined to provide specifics regarding Binance's new board or financial statements, and Zhao's plea agreement is not yet public.
- Despite the guilty plea, Zhao will maintain majority ownership, but he cannot hold an executive role in Binance.

Separately, the Securities and Exchange Commission's (SEC's) lawsuit alleges that Zhao and Binance violated US investor-protection laws.

The SEC's not done with crypto: The regulator is also accusing Kraken, another crypto exchange, for operating without registering as a securities exchange, broker, dealer, and clearing agency.

- However, Kraken disagreed with the allegations, defending itself by stating the complaint lacks evidence of fraud or customer losses, and it argues that its business model doesn't require specific securities licenses.
- In June, the SEC sued Coinbase on similar grounds.
- Many crypto exchanges, including Binance, believe cryptocurrencies aren't the kinds of investments overseen by the SEC, fueling their decision to fight back.
- The verdicts in these lawsuits will set an important precedent for the regulation of cryptocurrencies in the marketplace.

Why it matters: Just this month, Samuel Bankman-Fried was found guilty of two counts of fraud and five counts of conspiracy in a major victory for the US Justice Department's crackdown on financial corruption.

- The publicity surrounding the collapse of FTX and Bankman-Fried's verdict has already harmed the public perception of cryptocurrency.
- Bankman-Fried will be sentenced in March 2024, meaning crypto won't get a break from negative news any time soon. Zhao's guilty plea and the SEC lawsuits won't help, either.

What's next for Binance? While Binance's native token value has dropped 9%, cryptocurrencies as a whole have largely rebounded.

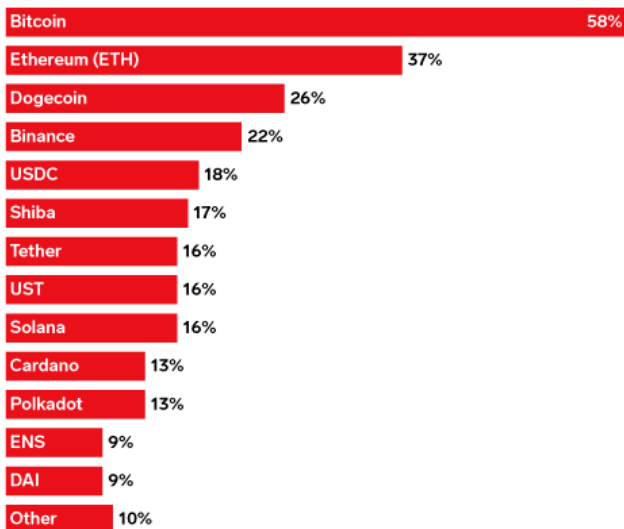
- 98 of the 100 major cryptocurrencies have taken much smaller hits, with Bitcoin's loss at 1.3%.
- Experts believe even Binance will survive this ordeal since it agreed to comply with the DOJ's process.
- Its rivals, including Coinbase, Kraken, and **OKX**, see this as an opportunity to attract Binance customers.

Key takeaways: Cryptocurrencies aren't going anywhere, but the general public's interest in participating will likely remain muted until these investigations and lawsuits are no longer top of mind.

- US financial institutions are at a stalemate as they wait for clearer guidelines on how to safely participate.
- However, until they get involved—or even buy these companies and rebrand them—the general public's perception is unlikely to change.

Which Cryptocurrencies Have US Crypto Owners Bought?

% of respondents, May 2023



Note: n=475 ages 18+ who have bought cryptocurrencies; includes currencies that respondents currently own or have bought in the past
Source: Consensys, "Global Survey on Crypto and Web3" conducted by YouGov, June 26, 2023

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