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Does Trouble for Binance Spell Trouble for Crypto?

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The fall of FTX sent shockwaves through the crypto realm. Now attention given by regulators to Binance is likewise causing ulcers across crypto exchanges and in DeFi businesses. Over the years Binance has developed a reputation of being able to get around financial rules and avoid regulators without having any problems. Now that crypto winter has attracted more regulatory attention to the world of crypto, Binance's string of luck seems to have run out. We are wondering, does trouble for Binance spell trouble for crypto?

Binance's Legal Troubles

The head of Binance, Changpeng Zhao, has hired personal legal representation as prosecutors from the Department of Justice are looking into possible money laundering violations. Meanwhile the SEC (Securities and Exchange Commission) is investigating Binance business practices. Now the CFTC (Commodity and Futures Trading Commission) is adding their weight to accusations that Zhao himself let criminals use Binance for laundering their money.

How Does Binance Compare to FTX?

The fall of FTX and Sam Bankman-Fried shocked the crypto world because FTX was a big crypto business. Binance is several times larger than FTX was at its peak which makes the potential shock to crypto several times worse. Binance handles billions of dollars in crypto value daily. While the sheer size of Binance makes any disruption problematic, Binance has different issues than FTX had. FTX ran out of money, filed for bankruptcy, at which point all sorts of evidence of bad business practices and then fraud emerged. FTX was a **failed business**, which Binance does not appear to be. FTX engaged in **fraud** as it misused customer assets. The issues with Binance revolve around compliance with things like anti-money laundering laws.

What Will Be the Consequences for Binance?

Sam Bankman-Fried of FTX is in big trouble with the law, on house arrest, and his FTX business is in ruins. If Binance and its founder are found guilty of breaking laws prohibiting money laundering and more, there could be fines and even jail time but those would not necessarily cause a huge monetary loss for Binance or threaten its economic survival. While billions of dollars in crypto value have been withdrawn from Binance in the last month or more, Binance still holds more than \$60 billion in crypto value which is three times the peak value of FTX back in 2021. Nobody is talking about Binance being a monopoly and breaking it up but the company could end up paying substantial fines, having to change its business practices, and losing about a seventh of its revenue stream which currently comes from US citizens illegally trading crypto derivatives offshore through Binance. Having to **cease US operations** entirely could be part of the end result.

Will Binance Lose Customers by Complying with CFTC and Other Regulations?

[How bad for Binance](#) will things be if it loses on all of the allegations against it? If the full range of Federal agencies succeed in their efforts against Binance, the company will likely be barred from any future activity in the US derivatives markets or offshore markets for US citizens no matter what regulations are eventually in place. Those well-heeled clients whose financial heft makes it profitable for Binance to help them skirt the law will have to look elsewhere and Binance will lose revenue. Because the core of Binance's crypto business is stable and quite profitable, the company will likely not lose any money beyond what is taken by fines and loss of questionable practices in offshore derivatives for US citizens and any frankly illegal money-laundering business that will also seek out other crypto exchanges.

Crypto World Will Adapt to Regulations

The basic premise of crypto currency is sound. Where crypto has lost its way has been when individual crypto businesses have skirted existing laws in search of profits or engaged in questionable or fraudulent activities in order to prop up failing businesses. In this regard, many in the crypto world are welcoming clear regulations such as the EU is putting out. The crypto world will adapt to regulations and very likely be the better for it. Our take on the Binance situation is that both Binance and crypto at large will get through this and be fine afterward.

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