

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Fallout From Binance Trading Violations

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When [FTX was in trouble](#) and approached Binance for a bailout, Binance refused. FTX went on to declare bankruptcy and the head of FTX, Sam Bankman-Fried, is on house arrest awaiting trial for multiple charges of [fraudulent business practices](#). Binance looked like the stable and secure crypto exchange compared to the mess that FTX turned out to be. Now Binance is in trouble with regulators and has ceased some of its zero-fee trading. What will be the fallout from Binance trading violations for the crypto markets and individual crypto investors and traders? Since news of the [CFTC lawsuit](#) became public the Binance market share has fallen by 16%.

## CFTC Charges Against Binance

According to the Commodity Futures Trading Commission website, the CFTC charged Binance with operating an illegal digital asset derivative exchange and willfully evading federal tax laws. Changpeng Zhao, the Binance CEO, is specifically mentioned in the charges. Binance is charged with disregarding Commodity Exchange Act regulations and engaging in a plan of “regulatory arbitrage” for its profit. Not only was the Binance system for compliance ineffective but, according to the CFTC, employees were specifically ordered to bypass compliance controls when doing so would result in a profit. When Binance was banned in the US, it opened Binance.US which was supposed to be in compliance with US regulations. It is unclear to what degree the DFTC charges apply to Binance or Binance.US and how far back the charges go in time.

## Binance Zero Fee Trading Halt

While the CFTC charges against Binance caused concern in the markets, what appears to have caused trading volume to fall was the decision to enact a [zero fee trading halt](#) on 13 separate trading pairs. These include trading of Bitcoin, Ether, and BNB against multiple fiat currencies and stablecoins. Binance is the largest crypto trading platform in the world by trading volume. Anyone who was trading with Binance because they did not have to pay fees may simply have chosen to go elsewhere in search of a better deal. However, looking forward, if Binance gets in trouble and the trouble approaches the magnitude of what happened to FTX, the drop in Binance trading may greatly increase.

## Will Binance Tighten Up Its Regulatory Compliance?

It would appear that a significant portion of Binance’s business falls outside of what regulators are OK with. Where these customers will go if Binance refuses to do business with them is unclear but tightening up compliance at Binance could also result in a significant reduction of their business.

## Is Binance Solvent?

[Crypto winter](#) hit a lot of crypto exchanges and DeFi businesses very hard. Largely this was because so many were based on a business model which assumed that, despite its volatility, that crypto would keep going up

pretty much forever. Companies lost money, borrowed from within their operations and covered up their financial difficulties such as with FTX. Binance has stated that this is not the case with them. Binance says that they have [no debt](#) and that customer assets are segregated. If this is true, investors and others doing business with Binance are OK. The concern of some may be that this information comes from Binance and not from an audit by independent auditors.

### Uncertainty in the Crypto World

Bad news in the crypto world has a tendency to cause prices across the board to fall such as when FTX got in trouble and Bitcoin fell in value. Too much bad news has a tendency to feed on itself. That, as we see it, is the potential fallout from Binance trading violations, CFTC charges, and their cutting out no fee trading on major crypto tokens. Crypto values are built on trust and trust has come from a steady rise in prices. All of the promotional hype about Bitcoin and the rest hedges against inflation and stores of value are not enough to keep prices up when Bitcoin follows the Nasdaq down and evidence of widespread Bitcoin wash trading come to light. At some point the bad news needs to stop and then confidence in crypto and its various sub-entities can resume.

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