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Frozen Binance Assets and DeFi Investments

By: www.ProfitableInvestingTips.com

The Securities and Exchange Commission (SEC) is ramping up the pressure on Binance. They are indicating that Binance is essentially guilty of [fraud](#) by moving client assets to another company without clearly notifying anyone outside of the company. Now it appears that the SEC wants to avoid what happened with FTX and other crypto businesses where customer assets were misused as the company got in more and more financial trouble. The SEC is asking the court to freeze Binance's assets to make sure that [US customer assets are protected](#). Because Binance is such a large business offering trading in so many tokens, how will frozen Binance assets and DeFi investments work out?

Why Is the SEC Going After Binance?

Binance is the world's largest crypto trading platform. It has a US arm which is supposed to be totally independent from the rest of the company. That is because the US arm of the company should be complying with US laws and regulations regarding crypto assets, trading, taxes, laws against money laundering, etc. According to the SEC, the "independence" of the US branch of Binance has been a sham with the head of Binance actually directing the US business. They contend that Binance has been running an illegal trading platform in the USA. On top of all this, the SEC now contends that Binance has moved US customer assets to an outside company, [Merit Peak](#). They are asking the court to freeze all Binance assets to put a stop to this and protect the crypto tokens of US customers.

Independent Business Operations Versus Fraud in the World of Crypto

When FTX was going under, we speculated as to whether their problems were the result of poor and [failed business practices](#), or had the company and its managers intended to defraud their investors and clients. This is at the core of the SEC case against Binance. It is vitally important for those who purchase crypto tokens using the Binance system in order to conduct business within or simply invest in the realm of decentralized finance.

How Much US Customer Assets Are at Risk with Binance.US?

According to the SEC, \$2.2 billion in US customer assets is at risk with the US branch of Binance. The SEC notes in its court filing that Mr. Zhao, the head of Binance, is a *foreign national who has made overt his views that he is not subject to the jurisdiction* of a US court. The SEC has gone on to assert that other Binance subsidiaries, BAM Management and BAM Trading, are also controlled by Mr. Zhao. These subsidiaries, according to the SEC, have made *illicit gains* of more than \$420.4 million via venture fundraising and profits. One of the issues with Binance is that it has no official headquarters and its US subsidiary, Binance.US, cannot indicate to the satisfaction of regulators who controls customer assets.

Is Binance Another Crypto-DeFi Risk?

A lot of people lost a lot of money during the prolonged crypto winter. Some of us who were used to the dramatic peaks and valleys of tokens like Bitcoin accepted losses as part of being in an intrinsically volatile market. However, there was the expectation that crypto would bounce back a lot sooner and a lot more forcefully than it did. What was disconcerting as crypto prices fell to each low [price plateau](#) was that so many crypto and DeFi operations collapsed. There were two common themes here. One was simply poor business management. The other was the mistaken belief that crypto would always go up. What infuriated so many who lost money was how much financial hanky-panky was going on behind the scenes with folks like Sam Bankman-Fried.

The fallout from poorly run and even fraudulent crypto operations did not stop at the doors of those companies that went bust. There was a contagion that spread across the interconnected crypto realm. As we see it, that is the risk with Binance. It is time for Binance to stop arguing that they are being treated unfairly, have been targeted by the SEC, and have really tried to deal fairly with the SEC. It is time for Binance to get its financial house in order and hold US customer assets where they can be seen and accounted for. They need to comply with the same rules and regulations that financial operations in the world of traditional finance with similar value routinely follow. Then investors in the worlds of crypto and DeFi can do business with the assurance that the financial rug will not be pulled out from under them.

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