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Ripple Price Doubles With Court Ruling

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The Securities and Exchange Commission and other regulators are cracking down on crypto exchanges. Their argument in court cases is that many crypto tokens are actually securities and should be regulated as such. One of the court cases in this regard was against Ripple Labs Inc. whose token is XRP. The judge's ruling was a split decision saying that when XRP is sold to institutional investors it is a security and when it is sold to anyone else it is not. Ripple and the rest of the crypto community are saying that they won. The SEC says they won. Meanwhile the Ripple XRP token price doubled with the court ruling.

Crypto Victory Over the SEC?

Bloomberg reports that a federal judge ruled the Ripple Labs Inc. token, XRP, is a [security in institutional sales](#) but not when sold to the general public. According to federal district court judge Analisa Torres, sales of XRP tokens to sophisticated investors meet the test for an investment contract under federal securities law. This, according to the judge, is because such buyers "would have understood that Ripple was pitching a speculative value proposition for XRP with potential profits." The judge went on to say that the broader public (programmatic traders) would not have been able to work their way through all of the statements made by Ripple Labs Inc. about the token. Although crypto enthusiasts are happy, so is the SEC for getting a ruling in their favor so far as it concerns institutional investors.

What Is the Point of the SEC Going After Crypto?

Although we at Profitable Investing Tips are not securities lawyers, we have an opinion about all of this. There seems to be justification for making crypto exchanges register their tokens as securities and then follow all of the rules that apply to securities. But that justification relies on the premise that regulators are protecting clients of these exchanges from fraudulent activities. In our opinion large institutional investors are more likely to fully understand the risks involved in crypto tokens like XRP. The average non-institutional investor is not. If there is anyone who needs to be protected from crypto exchanges acting as broker dealers as well as exchanges it is the non-professional who buys crypto tokens. If anyone needs to be protected by having clearing house activities for trades separate from crypto exchange activities it is the average trader and not the institutional investor.

What Does the Ripples Labs Inc. Decision Mean for Crypto?

XRP tokens doubled in price on news of the ruling regarding whether it is a security or not. Traders are clearly of the "glass half full" opinion instead the "glass half empty" approach taken by the SEC which said it welcomed the ruling. If this ruling sticks, crypto exchanges will need to decide whether to offer different services to institutional crypto investors than to everyone else. If they are going to the trouble of doing all of the things they will need to do to comply with trading securities they might as well apply the same rules to everyone. Or will they simply not take trades from institutional investors? The SEC probably sees the decision

as having gotten their foot in the door leading into the crypto world. This implies, to us, that there are more SEC actions to come.

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