



Ripple Lawsuit: Will the SEC Lose?

Description

Last year, the U.S. Securities and Exchange Commission (SEC) filed a lawsuit against Ripple Labs, the creator of the **XRP** ([CRYPTO:XRP](#)) [cryptocurrency](#). The SEC alleged that the company and two senior executives conducted an illegal security offering, implying that XRP is a security, not a cryptocurrency.

The government body also contended that the company raised over US\$1.3 billion through an unregistered securities offering.

Ripple Labs has countered the SEC's allegations by saying that XRP is not, in fact, a security. It is a useful tool in transferring value across borders through Ripple products, but it is not a security that should have been registered under the SEC's regulations.

The case continues to drag on, but it could be perceived as being in favour of the cryptocurrency developer. The court's decision on the matter could have a lasting impact on cryptocurrency regulations. However, the case itself has slowed the cryptocurrency's bid for greatness in the burgeoning industry.

A crucial date for the case is coming up

Proceedings have been going on for over a year now, but the excitement is building up. The lawyer representing Ripple Labs has said that the biggest decision regarding this case will happen soon. However, it seems unlikely due to the court approving the SEC's Deliberative Process Privilege (DPP), a legal defence that offers government institutions immunity from revealing internal correspondence.

The SEC and defendants will file a Joint Proposed Scheduling Order on April 22, 2022. Judge Sarah Netburn has ordered both parties to agree on a briefing schedule for summary judgment motions in the case.

There is a realistic possibility of the two parties coming to a settlement agreement at that time, because it would be the quickest way to end proceedings. However, a judgment in favour of Ripple labs could

send waves of relief throughout the crypto industry.

A solid defence

Ripple Labs has raised a valid point in the case, arguing that the agency did not give the developer fair notice regarding its conduct potentially violating the law. The company insists that the SEC should have provided clarification on whether it regards XRP as a security, because the government agency had ample time to do that.

The SEC filed a motion to dismiss the fair notice affirmative defence for Ripple Labs. The court denied that motion, spelling great news for the cryptocurrency developer in the case. Ripple Labs's legal team has criticized the SEC for causing more delays to the proceedings.

The lawyer has also stated that the rules proposed by the SEC during these litigations mean that more vested parties in the cryptocurrency industry can expect cases in the future.

The outcome of this case will set a precedent for what follows in the cryptocurrency industry's regulations in the future.

Foolish takeaway

The case appears to be running in Ripple Labs's favour, but the XRP token was delisted by cryptocurrency exchanges in the United States. Most XRP holders are located outside the U.S., but the move has stalled [growth](#) for the cryptocurrency to a significant degree. A win for Ripple Labs could see major crypto exchanges listing XRP on their platforms again and deliver a massive boost to its prices.

Analysts have a price forecast of US\$1.30 for XRP in 2022, despite the [setbacks](#). XRP trades for US\$0.82 at writing. Depending on the outcome of the case, the analyst price forecast for the cryptocurrency could be realistically achievable.

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