



The United States of America

Vs Binance Holdings, LTD.

How the largest cryptocurrency exchange ended up paying a \$4 billion dollar fine.





**“Better to ask for
forgiveness than
permission.”
Changpeng Zhao**

The actions of former CEO Changpeng Zhao and Binance Holdings Limited (Binance) led to a guilty plea and a \$4 billion fine in regard to violations including failing to register as a money transmitting business, a lack of filing of Suspicious Activity Reports (SARs), and failing to collect and verify Know-Your-Customer (KYC) information.

With Zhao pleading guilty to money laundering, the government can send a message loud and clear: “...using new technology to break the law does not make you a disruptor, it makes you a criminal.”

FinCEN, OFAC, and IRS Criminal Investigation all worked together for over three years to complete this investigation. Let’s look more into the violations.



Binance, LTD. vs Binance US

It's worth noting there are two different companies for Binance users.

Binance, LTD.

- Operates the world's largest cryptocurrency exchange by trading volume
- Supports a wide range of cryptocurrencies, including Bitcoin, Ethereum, and altcoins
- Users can trade spot markets, futures, and earn rewards through staking

Binance US

- Specifically designed for residents of the United States
- Platform where users can buy, sell, and trade cryptocurrencies and altcoins
- Provides some of the lowest fees in the US market
- Platform supports over 200 trading pairs, 46 states, and more than 150 popular cryptocurrencies
- It allows staking for various assets.

The background of the slide features a teal-colored financial chart with various numerical data points and a prominent yellow vertical bar on the left side. Overlaid on this is the title 'Suspicious Activity Report' in a large, bold, black sans-serif font. The word 'Suspicious' is on the first line, 'Activity' is on the second line, and 'Report' is on the third line. The letters 'S', 'A', and 'R' are positioned to the left of their respective words, partially overlapping the yellow bar.

Suspicious Activity Report

Becoming the standard form to report suspicious activity since 1996, the SAR covers activities that are out of the ordinary, such as money laundering. Financial Crimes Enforcement Network, or FinCEN, oversees the collecting and investigating of these reports. Financial institutions are supposed to report activities within 30 days of the occurrence.





Some suspicious patterns to look for:

- Lack of business activity
- Unusual transactions among specific business types; ex: a furniture importer dealing with a toy exporter
- Unusually large numbers and/or volumes of wire transfers, especially bursts of transactions
- Transactions that avoid reporting or recordkeeping requirements





Binance did not file these reports, creating limited to oversight. As a result, money laundering occurred which financed activities for child sexual abuse, illegal narcotics, and terrorism.




The process of collecting information in order to verify the identity of clients and assess the risks associated with their activities is known as “Know Your Customer” or KYC. This requires the institution to obtain detailed information about the client including name, address, identification number, and any other relevant information.



It is comprised of three components:

- Customer Identification Program (CIP): need four pieces of identifying information including name, date of birth, address, and identification number
- Customer Due Diligence (CDD): all credentials are collected to verify the customer's identity and evaluate their risk profile
- Enhanced Due Diligence (EDD): used for customers who are a high risk of infiltration, terrorism financing, or money laundering, additional information is often needed





By not collecting this information, Binance was able to conduct activities with US citizens or “VIP” customers who contributed large volumes of trading and revenue. They were even encouraged to falsify their information to continue undetected.

[Click here to review the Official Binance Indictment](#)





Including being fined \$4 billion, Binance will be monitored by a third party, overseen by FinCEN, over the next five years to ensure Binance completely leaves the US market, per Secretary of the Treasury Janet L. Yellen. Failure to comply will result in additional penalties.



With increased scrutiny and advancing systems, it's becoming easier to find and report suspicious activities regarding cryptocurrency. Utilizing this information and our software, Crypto Track Pro, you will be able to identify and track suspicious activities for your cases.



For more information and to sign up for a 30-day demo license, [go to our site today!](#)

