



Apr 19, 2022

Categories:

[Blockchain and Digital](#)

[Assets](#)

[Blogs](#)

[Technology Blog](#)

Authors:

[Alan K. MacDonald](#)

Binance Decision Clarifies Extraterritorial Application of U.S. Securities Laws to Digital Asset Transactions

On March 31, 2022, the United States District Court for the Southern District of New York dismissed claims brought by U.S. residents trading on the Binance digital exchange, holding that the plaintiffs' purchases of digital tokens were extraterritorial transactions to which U.S. federal and state securities laws do not apply.^[1] This ruling brings significantly more clarity to digital asset providers seeking to understand the parameters of U.S. jurisdiction claims. It also gives more credibility to the notion that offshore companies can access U.S.-based computer infrastructure without subjecting themselves to U.S. jurisdiction.

Binance operates on a decentralized basis, so the location of its principal place of business for jurisdictional purposes was a significant factual issue in the litigation. The court addressed Binance's location only by noting that its headquarters are in Malta.^[2]

Beginning in 2017, the plaintiffs, all U.S. residents, purchased several digital tokens on Binance. The tokens had first been sold to investors in an initial coin offering and listed concurrently for secondary trading on Binance. The issuers compensated Binance for listing their tokens, and Binance received a commission on each trade.

Plaintiffs alleged that Binance did not make clear to investors that the tokens they were purchasing on Binance were securities under U.S. law. Investors claimed they only became apprised of the tokens' status as securities on April 3, 2019, when the SEC's Strategic Hub for Innovation and Financial Technology issued a report listing numerous factors to consider in analyzing whether a digital token would be an "investment contract" and therefore a security under federal securities statutes.^[3]

The federal district court granted Binance's motion for summary judgment on two grounds – plaintiffs' purchases were not domestic transactions subject to U.S. federal and state securities statutes, and having initiated proceedings too late, their claims were time-barred.

Plaintiffs' claims hinged on whether purchases on the Binance platform were sufficiently connected to the United States to be subject to its securities laws. In *Morrison v. Nat'l Austl. Bank Ltd.*, the U.S. Supreme Court held that federal securities laws apply to those "transactions in securities listed on domestic exchanges, and domestic transactions in other securities."[\[4\]](#)

Under *Morrison*, an exchange is considered "domestic" if it must register as a "national securities exchange."[\[5\]](#) Registration is required if a "facility of [the] exchange [is] within or subject to the jurisdiction of the United States."[\[6\]](#) Plaintiffs alleged that Binance is hosted on U.S.-based Amazon Web Services computer servers, and Ethereum blockchain computers in the United States facilitate certain transactions on Binance. The court found that using third-party servers located at sites of the third party's choosing was insufficient to deem Binance a national securities exchange, citing an earlier decision holding that transactions routed through computer servers in New York did not render RICO claims domestic in nature.[\[7\]](#) Nor could the plaintiffs provide caselaw to support their claim that Binance's other alleged U.S. contacts—inclusion of English language on the Binance website, several employees located in California, and job postings in the U.S.—are sufficient to constitute a domestic exchange.

Plaintiffs' token purchases also did not qualify as domestic because neither "irrevocable liability" was incurred, nor title passed within the United States. Plaintiffs bought tokens while located in the United States, claiming title passed in whole or in part over servers located in California that host Binance's website. Again, the court cited a prior holding that a trade is not considered domestic when a purchaser "places a buy order in the United States for the purchase of foreign securities on a foreign exchange."[\[8\]](#)

In the absence of legislation addressing the commercial use of blockchain-based technology in the United States, trading

platforms and other intermediaries that facilitate digital asset transactions have become understandably wary of conducting business with U.S. parties. In particular, centralized trading platforms must weigh the benefits of operating in the world's largest marketplace against the risks of exposure to U.S. securities laws, which continue to be based on a Supreme Court case from an era before computer technology. The *Binance* decision provides greater clarity about the limits of the extraterritorial application of U.S. securities laws and when a transaction routed by algorithms through a transnational computer network is "domestic."

If you have questions regarding the parameters of U.S. jurisdiction claims and securities laws relative to digital asset transactions, please contact [Alan MacDonald](#) of Frost Brown Todd's [Blockchain and Cryptocurrency](#) team.

[1] *JD Anderson, et al. v. Binance, et al.*, 2022 WL 976824 (S.D.N.Y. Mar. 31, 2022).

[2] Claims against executive officers of Binance who are not U.S. residents were also dismissed.

[3] *Framework for "Investment Contract" Analysis of Digital Assets*, as modified Apr. 3, 2019 ([available here](#))

[4] 561 U.S. 247, 267 (2010).

[5] *Id.* at 266–67.

[6] *Id.* Block

[7] *Sonterra Capital Master Fund v. Credit Suisse Grp. AG*, 277 F. Supp. 3d 521, 582 (S.D.N.Y. 2017).

[8] *City of Pontiac Policemen's & Firemen's Ret. Sys. v. UBS AG*, 752 F.3d 173,187 (2d Cir. 2014). The court did not address that for purposes of the private rights of action of a purchaser under federal securities statutes, Binance was not the seller of the tokens purchased by Plaintiffs; its facilities were used only to match buy and sell orders.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.