# Breaking News: The Hidden Secret Associated with the US Court and XRP Ripple, Not a Security: Everything you need to Know.

**What is the SEC lawsuit against Ripple?**

Ripple Labs first appeared on the fintech landscape in 2012 with-reassuring promise to provide financial institutions with low-cost and speedy clearance of cross-border money transfers. To make this happen, the business created the RippleNet network, on which transactions in the form of a cryptocurrency called XRP can be settled and cleared in real time.

Over several years, however, XRP (XRP) grew outside its stated application. The company's founders used XRP to raise funds in 2013. As a result, the United States Securities and Exchange Commission (SEC) filed a lawsuit against Ripple Labs and its current and previous CEOs in 2020. But why did the SEC sure Ripple?

The SEC alleged that the executives held an **initial public offering(IPO)** of XRP, which was unregistered security at the time of raising capital According to the complaint, Ripple raised funds by selling XRP tokens in an unregistered security offering to investors in the United States and worldwide. Additionally, Ripple offered billions of XRP in exchange for non-cash services like market-making and labor.

The lawsuit alleges that Chris Larsen, co-founder and former CEO of Ripple Labs, with Brad Garlinghouse, Ripple's current CEO, engaged in personal unregistered XRP transactions worth approximately $600 million. Additionally, they were accused of orchestrating and promoting XRP sales to bolster the company's operations.

Moreover, the suit alleged the defendants failed to register their XRP offers and sales or meet any exemptions from registration in violation of the federal securities laws' registration restrictions.

## What are the SEC's claims in its legal brawl with Ripple?

The SEC claimed that XRP is a security. Generally, a Security is a traded financial instrument representing ownership in a corporation or similar entity. For instance, publicly listed firms commonly define shares as securities to obtain financing.

Since XRP tokens were used to fund Ripple's platform, which facilitates money transfers for retailers, a civil action was filed at the end of December 2020. The sales of XRP also enriched the platform's management.

The SEC vs. W.J. Howey Co. was a landmark Supreme Court case in 1946 that aids in determining whether a transaction fails within the Securities Act of 1993's definition of an investment contract.

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According to SEC requirements, securities must be registered with the agency, and some financial information must be publicly reported. The purpose is to protect investors' interests while combating fraud.

The SEC determined that XRP satisfied the Howey test's requirements because:

* The business, Ripple Labs, sold $1.38 billion worth of XRP tokens.
* XRP was purchased by investors who assumed that they were investing in a joint venture.
* Because of Ripple's marketing efforts and supply manipulation, investors believed that the price of XRP would climb due to the company's activities.

## Ripple's response to the XRP court case

While the SEC often opts for settlements in its lawsuits, Ripple took a different approach by engaging in a legal battle instead of complying with the SEC's demands and paying penalties.

Ripple's lawyers claimed that the SEC never warned or notified the organization. The US regulator also accepted that Ripple wasn't notified that XRP could be classified as a security.

As a result, Ripple believed the SEC was biased when applying the security concept to XRP. If this is found to be true, the commission's authority will be weakened - along with the credibility of its argument.

Ripple has specifically mentioned some of the links SEC members have had with other crypto platforms, namely Ethereum. while there is no proof of these links, the commission gave Ethereum a pass on securities legislation, saying that it operates in a decentralized manner.

## Ripple lawsuit update: The timeline of the Ripple vs. SEC battle

In instances where court proceedings have taken place, the SEC has found favor, as judges have concurred that the crypto assets in question were securities.

unlike commodities, securities are subject to strict regulations, necessitating registration with the SEC by the issuer and comprehensive disclosures to educate investors about potential risks.

However, on July 13, Ripple Labs secured a significant win in the United States District Court for the Southern District of New York as Judge Analisa Torres partially ruled in favor of the company.

The series of events during the Ripple vs. SEC lawsuit are outlined below:

## Dec. 21, 2020: SEC files lawsuit against Ripple Labs

The SEC initiated legal action against Ripple Labs, its CEO Brad Garlinghouse, and co-founder Chris Larsen, accusing them of conducting an unregistered securities offering. Despite the SEC's demands, Garlinghouse declared Ripple's intention to defend itself in the court case.

## Dec. 28, 2020: XRP delisted by Coinbase

Coinbase, a prominent cryptocurrency exchange, announced the delisting of the XRP token from its platform. The ongoing legal dispute and the regulatory ambiguity surrounding XRP's classification most likely impacted this choice.

## March 3, 2021: Larsen and Garlinghouse challenge SEC's fair notice

Larsen and Garlinghouse submitted letters to the court arguing that the SEC lacked fair notice regarding the classification of XRP, as not a security. They raised concerns about the SEC's alleged failure to provide clear guidance to market participants.

## March 8, 2021: SEC requests an immediate hearing

In response to Larsen and Garlinghouse's arguments, the SEC requested an immediate hearing from the judge to address the fair notice issue and other matters related to the case.

## March 22, the XRP token was determined to have currency value and utility

Judge Sarah Netburn ruled that XRP possesses currency value and utility, differentiating it from cryptocurrencies like (BTC) and Ether(ETH). This ruling marked a notable development in the case and highlighted the distinction between various digital assets.

## Jan. 24, 2022: Extention granted for sensitive document disclosure

Netburn gave the SEC until Feb. 17 to appeal her earliest decision requiring Ripple Labs to disclose certain sensitive government documents.

## Sept. 17, 2022: SEC and Ripple Labs file initial motions for summary judgment

Both the SEC and Ripple Labs submitted their initial motions for summary judgment, marking a significant step in the legal proceedings. These motions outlined each party's arguments and positions regarding the case.

## July 13, 2023: Ripple Labs wins the case

Ripple Labs scored a victory in the United States District Court in the Southern District of New York on July 13 as Judge Analisa Torres ruled partially in favor of the company in a case brought forth by the Securities and Exchange Commission dating back to 2020.

According to documents filed on July 13, Judge Torres has granted summary judgment in favor of Ripple Labs, ruling that the XRP (XRP) token is not a security, but only in regards to programmatic sales on digital asset exchanges.

However, the SEC also managed to notch a victory of its own, as the federal judge has ruled that XRP is a security when sold to institutional investors, as it met the conditions set in the Howey Test.

The SEC lawsuit sought to compel Ripple to stop offering its XRP token under the promise that XRP was a security and, thus, required additional regulation.

Per court documents viewed by Cointelegraph:

"*Defendants' motion for summary judgment is Granted as to the*

*Programmatic Sales, the other Distributions, Larsen's and*

*Garlinghouse's house, and Denied as to the institutional Sales".*

Within a matter of minutes, after the news broke, the price of XRP catapulted from $0.45 to $0.61. This puts the token up over 25%.

The case against Ripple has been ongoing since December 2020 when the SEC sued Ripple and its two chief executives, Brad Garlinghouse and Chris Larsen, over allegations the company was offering an unregistered security.

Over the past three years, the case has had its fair share of dramatic intrigue, including the release of the *"Hinman Documents"* and ongoing defiance in the face of the SEC's accusations from the Garlinghouse.

Along with the palpable movement demonstrated by the XRP token pumping on the news, the overall sentiment across the crypto community appears to be one of jubilation.

The industry has long awaited the verdict, just as the market has anxiously awaited a decision. Now, it appears as though some kind of resolution has been reached with the notable action taken by the judge. Subsequently, this provided a major win for Ripple, with the sale of XRP not legally constituting an offer of investment contracts.

In response, Ripple CEO Brad Garlinghouse commented on the verdict.

He spoke of the two-year legal fight, and what this verdict will mean for the development of the industry in the United States.

Specifically, he stated, "**We said in Dec 2020 that we were on the right side of the law, and will be on the right side of history. Thankful to everyone who helped us get to today's decision - one that is for all crypto innovation in the US."**

## XRP Becomes 4th largest crypto after Ripple's partial win over SEC

XRP *has become the fourth-largest cryptocurrency* by market capitalization this week after Ripple's partial victory over the SEC. The price of XRP surged as much as 98% in the hours following the decision, reaching as high as $0.93, according to data from TradingView. Meanwhile, its market cap surged a whopping $21.2 billion to reach a new yearly high of $46.1 billion. The new ruling has also sparked a fresh wave of re-listing activity from mainstay U.S. exchanges, with **COINBASE, KRAKEN, and iTRUSTCAPITAL** making the token available for trading on their respective platforms.