Press Coverage | April 26, 2023

CeFi’s Transparency Problem: How 2022 Lifted the Curtain

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Deborah Kovsky-Apap

Deborah Kovsky-Apap, a partner with Troutman Pepper, was quoted in the April 26, 2023 *Fintech Nexus News* article, “CeFi’s Transparency Problem: How 2022 Lifted the Curtain.”

“Binance yesterday pulled out of a deal to buy Voyager, citing regulatory concerns,” said Deborah Kovsky-Apap, Partner at Troutman Pepper. “The SEC and U.S. regulations make it almost impossible for these companies to reorganize in a way that’s going to be regulatory compliant; it’s extraordinarily difficult. That creates tremendous risk.”

She explained that in most cases, companies file for bankruptcy with a gaping hole in their balance sheet, leaving customers’ hopes of recovering assets hanging on the companies’ eventual reorganization and new value creation by the new entity.

The heightened difficulty in reorganizing the firms could mean customers are left hanging, only regaining a minimal amount of their claim (if anything).

“Can companies be regulatorily compliant in the United States in this environment?” she continued. “I think that’s a huge question mark and a huge risk, both for customers and creditors in the bankruptcies and for claims buyers.”

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