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Crypto As “Funds” Under the EFTA – How a Court’s Recent Ruling May Impact Virtual Currency Platform Operators

The Crypto Exchange Podcast

SPEAKERS

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In this episode of *The Crypto Exchange*, Troutman Pepper Partner Ethan Ostroff welcomes his colleagues Carlin McCrory and Addison Morgan to discuss a recent case in the Southern District of New York that has been in the news, *Rider v. Uphold HQ*. In *Rider*, the court concluded that virtual currency platform operators may be subject to the Electronic Fund Transfer Act (EFTA) and Regulation E.

The plaintiffs in this class action asserted that Uphold HQ violated the EFTA and Regulation E as the result of an alleged security flaw, which enabled unauthorized actors to access plaintiffs’ accounts maintained by Uphold HQ. In response to Uphold HQ’s motion to dismiss, the court held that cryptocurrencies constituted “funds” within the meaning of the EFTA, enabling plaintiffs to proceed with their claim for violation of the EFTA and claim for negligence *per se* based on violation of the EFTA. The court held, “Under its ordinary meaning, the term ‘cryptocurrency’ means a digital form of liquid, monetary assets that constitute ‘funds’ under the EFTA” based on the dictionary definitions of the terms “funds” and “cryptocurrency.”

Ethan, Carlin, and Addison discuss how the court’s analysis of the term “funds” within the EFTA may lead to potential significant ramifications for virtual currency platform operators.

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