



Insights

Daniel Saval in Law360: Crypto Funds Recovery May Be Difficult

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In the recent wave of cryptocurrency platform Chapter 11 bankruptcies, the question facing litigators, the platforms and their customers is who owns cryptocurrency held by bankrupt trading and investing platforms? Kobre & Kim's Daniel Saval offered his insights to *Law360*.

Plunging digital asset prices have erased nearly US \$2 trillion of value from the crypto space, driving three large firms into bankruptcy and bringing to light issues regarding the nature of their business and the status of their customers. It is unclear whether customers will be treated as investors, unsecured creditors or beneficiaries. "As has been disclosed by a number of exchanges, they actually pool their customer property into common wallets because that's where crypto assets are stored, and it's the exchanges that control those wallets," Mr. Saval explained. "Because of that control and commingling of assets, in a bankruptcy proceeding it's difficult for a customer to assert that it owns an asset as opposed to those assets being considered property of an estate."

Because many of the issues are not delineated under the bankruptcy code, Mr. Saval said he thinks "there is going to be significant litigation over this."

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