

SEC Court Win Over Terraform and Do Kwon Opens Door for UST Investigation, Class Actions

Media Mentions

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This week, the Second Circuit Court rejected South Korean-based crypto startup Terraform Labs' appeal against the Securities and Exchange Commission, upholding an earlier decision from the Southern District of New York for the company to comply with SEC subpoenas.

In the lead-up to the decision, Bracewell's **David Shargel** told *The Block*: "Whatever the Second Circuit decides will either encourage a class-action lawsuit in the United States or really throw some water on plaintiffs' lawyers even thinking about it."

The case has significant ramifications, both for Mirror Protocol, which allowed users to trade tokens whose prices mirrored US stocks, and for the broader network of connected projects. Most prominently that includes TerraUSD (UST), whose dramatic crash early in May wiped out over \$40 billion in value and has shaken the whole crypto ecosystem.

On June 9, South Korean news outlet *JBTC* reported that the SEC was investigating some of UST's lead designers and suspected money laundering by Do Kwon. Citing an unnamed source, *Bloomberg's* Matt Robinson also wrote that the SEC had begun a probe into the UST crash.

Adding to the legal complications has been the emergence of the Luna Foundation Guard (LFG) — a non-profit organization established in Singapore dedicated to improving the sustainability and stability of Terra's algorithmic stablecoins. Singapore hosts a relatively opaque system of corporate registration and court record access.

"They may be separate entities, but they're companies that are potentially run by the same people and using the same sort of infrastructure," said Shargel.

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