

## Practice Update

# Crypto Customers Lose Anonymity in Celsius Chapter 11

November 18, 2022

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All crypto Celsius Network, LLC customers expecting and relying on anonymity should be concerned that their crypto transactions may become public. Recently, the Bankruptcy Court in the Celsius Network LLC chapter 11 case ordered the disclosure of customer names, shattering the sense of anonymity that has been a hallmark of the crypto industry. The release of customer names has potential far-flung consequences because it brings the public one step closer to discovering the transactions in a customer’s virtual wallet in the blockchain.

Refusing to follow the decisions of the Bankruptcy Court for the District of Delaware in *In re Altegrity, Inc.* and *In re Cred, Inc.*, which protected the identity of customers and allowed the sealing of identifiable customer information in the bankruptcy schedules and other papers, Chief Bankruptcy Judge Martin Glenn of the Bankruptcy Court for the Southern District of New York refused to allow the debtor to seal this information. The Celsius Court instead found that customer names are not commercial or personally identifiable information protected from disclosure under the Bankruptcy Code. Sustaining in part the United States Trustee’s objection to the debtor and official committee of unsecured creditors’ motion to seal the customer information, the Court reasoned that the “strong public policy of

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transparency and public disclosure in bankruptcy cases requires very narrow exceptions and only on strong evidentiary showings.”

The Celsius Court drew a distinction between the disclosure of individual customer names, on the one hand, and their home addresses, telephone numbers and email addresses, on the other hand, finding that only the latter need be redacted in a bankruptcy case to protect customers from harassment and identity theft.

Furthermore, the Celsius Court refused to protect any customer information for business entities, concluding that the Bankruptcy Code protects only certain individual information from disclosure and those protections do not encompass business entities.

Finally, the Celsius Court refused to protect personal information for creditors located in Europe in recognition of the UK GDPR and EU GDPR data protection acts, citing a lack of legal authority “explicitly dictating” why the acts apply in the United States.

The Celsius Court’s decision creates a split in the Bankruptcy Courts as to whether the identity of customers should be disclosed.

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