

## [Securities Regulation Daily Wrap Up, BLOCKCHAIN—S.D.N.Y.: Ex-Coinbase product manager pleads guilty in cryptocurrency insider trading scheme, \(Feb. 8, 2023\)](#)

Securities Regulation Daily Wrap Up

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By Suzanne Cosgrove

In the first guilty plea in a case involving insider trading of cryptocurrency assets, Ishan Wahi admitted tipping his brother and another associate ahead of new Coinbase token listings.

A former Coinbase insider pleaded guilty Wednesday before U.S. District Judge Loretta Preska to two counts of conspiracy to commit wire fraud in connection with an insider trading scheme in which he shared confidential Coinbase information on its planned new crypto asset listings with his brother and another individual.

“Whether it occurs in the equity markets or the crypto markets, stealing confidential business information for your own personal profit or the profit of others is a serious federal crime,” said Damian Williams, U.S. attorney for the Southern District of New York, [in a statement](#).

Ishan Wahi was arrested and charged in July 2022. He faces a maximum sentence of 20 years in prison for each count of conspiracy to commit wire fraud and is scheduled for sentencing by Judge Preska on May 10.

**How scheme worked.** Ishan Wahi was employed at Coinbase as a product manager assigned to an asset listing team beginning around October 2020. According to court filings, on multiple occasions between June 2021 and April 2022, Wahi provided information that he learned in connection with his employment at Coinbase to Nikhil Wahi and Sameer Ramani so they could profit from trades around the exchange’s public announcements.

The market value of crypto assets typically moves higher after Coinbase announces a new listing. As a result, Coinbase keeps its plans confidential and prohibits its employees from sharing that information with others, including anyone who might trade based on “tips.”

**Buy low, sell high.** The DOJ indictment charged that Nikhil Wahi, Ishan’s brother, used anonymous Ethereum blockchain wallets and accounts held under pseudonyms at centralized cryptocurrency exchanges to acquire crypto assets identified by Ishan Wahi shortly before Coinbase publicly announced that it was listing the crypto assets on its exchanges. On multiple occasions following Coinbase’s public listing announcements, Nikhil Wahi sold the crypto assets for a profit.

Nikhil Wahi [was sentenced last month](#) to 10 months in prison and also was ordered to pay \$892,500 in forfeiture for his participation in the scheme.

**Other Coinbase token news.** As [reported last week](#) in *Securities Regulation Daily*, a judge in the Southern District of New York recently dismissed a suit against Coinbase for the offer and sale of unregistered securities on the grounds that Coinbase was not a “statutory seller” of the tokens in question. In his verdict, the judge relied on the Coinbase user agreement that states that users do not transact directly with a Coinbase entity when they purchase a token.

The class action was filed by cryptocurrency investors who alleged that two digital asset trading platforms, Coinbase and Coinbase Pro, each met the definition of an “exchange” under federal securities laws.

In the original suit, the investors claimed that Coinbase’s platforms should be registered as exchanges and that failure to register them violates the 1934 Act. In an amended complaint, the investors asserted that the digital tokens that Coinbase allows customers to buy and sell qualify as securities. Therefore, the investors claimed, Coinbase was listing and selling securities without registering as an exchange or broker-dealer.

Companies: Coinbase Global, Inc.

LitigationEnforcement: Blockchain BrokerDealers Derivatives ExchangesMarketRegulation FraudManipulation