

[Securities Regulation Daily Wrap Up, ENFORCEMENT—W.D. Wash.: SEC charges former Coinbase manager with crypto asset insider trading, \(Jul. 22, 2022\)](#)

Securities Regulation Daily Wrap Up

[Click to open document in a browser](#)

By Elena Eyber, J.D.

A Coinbase manager, his brother, and his friend earned over \$1.1 million in illegal profits by engaging in an alleged insider trading scheme that used material, nonpublic information to trade ahead of Coinbase's listing announcement.

The SEC brought insider trading charges against a former Coinbase product manager, his brother, and his friend for perpetrating a scheme to trade ahead of multiple announcements regarding certain crypto assets that would be made available for trading on the Coinbase platform. The SEC's complaint charges the three individuals with violating the antifraud provisions of the securities laws and seeks permanent injunctive relief, disgorgement with prejudgment interest, and civil penalties ([SEC v. Wahj](#), July 21, 2022).

The SEC's complaint alleges that a manager of Coinbase helped to coordinate the platform's public listing announcements that included what crypto assets or tokens would be made available for trading. According to the SEC's complaint, Coinbase treated this information as confidential and warned its employees not to trade on the basis of, or tip others with, that information.

However, from June 2021 to April 2022, in breach of his duties, the manager repeatedly tipped the timing and content of upcoming listing announcements to his brother and his friend. Ahead of those announcements, which usually resulted in an increase in the assets' prices, the individuals allegedly purchased at least 25 crypto assets, at least nine of which were securities, and then sold them shortly after the announcements for a profit. This insider trading scheme generated illicit profits totaling more than \$1.1 million.

The SEC's complaint charges the three individuals with violating the antifraud provisions of the securities laws and seeks permanent injunctive relief, disgorgement with prejudgment interest, and civil penalties.

Statement of CFTC Commissioner Caroline D. Pham. CFTC Commissioner Pham [expressed her concerns](#) with this action: "The case *SEC v. Wahj* is a striking example of "regulation by enforcement." The SEC complaint alleges that dozens of digital assets, including those that could be described as utility tokens and/or certain tokens relating to decentralized autonomous organizations (DAOs), are securities. The SEC's allegations could have broad implications beyond this single case, underscoring how critical and urgent it is that regulators work together. Major questions are best addressed through a transparent process that engages the public to develop appropriate policy with expert input—through notice-and-comment rulemaking pursuant to the Administrative Procedure Act."

The case is [No. 2:22-cv-01009](#).

Attorneys: Peter Lallas for the SEC.

MainStory: TopStory Blockchain CommodityFutures Enforcement FraudManipulation GCNNews
WashingtonNews