

Coinbase Gets a Wells Notice from the SEC

Article By:

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On March 22, 2023, the US Securities and Exchange Commission (SEC) issued a Wells notice to Coinbase, a cryptocurrency trading platform, indicating that the regulator intends to bring charges against the company.

The notice reportedly focuses on Coinbase's staking service, Coinbase Earn, Coinbase Prime, and Coinbase Wallet, the latter of three the company states is a technology not an exchange, broker, or centralized platform.

Coinbase stated that the notice "does not provide much information for the company to respond to and that it is confident in the legality of its assets and services." It also desires greater regulatory clarity and a crypto framework from the SEC to guide operators.

Coinbase has until April 21, 2023, to respond to the allegations in writing.

Regulating Digital Assets

Whether Coinbase is considered a technology and not an exchange or centralized platform is not the central issue. The SEC and other regulatory agencies (such as the CFTC and IRS) are working to prevent known illegal activities that violate securities law, including fraudulent ICOs, [Ponzi schemes](#), [money laundering](#), and [market manipulation](#).

Additionally, the SEC is working to find ways to protect investors from fraudulent or deceptive practices happening on the blockchain, particularly considering the high risk and volatility of crypto.

The SEC has also stated that it plans to focus on providing greater clarity around the regulatory status of cryptocurrencies and related products, such as digital assets and initial coin offerings (ICOs). It plans to focus on ensuring cryptocurrency companies also comply with existing securities laws and regulations, including registration requirements and reporting obligations.

Reporting Digital Asset Fraud or Manipulation

Whistleblowers aware of federal securities law violations may be eligible for whistleblower rewards and strong anti-retaliation protections under the [SEC Reward Program](#). [The SEC Office of the](#)

[Whistleblower](#) pays monetary awards between 10 and 30 percent of any sanctions brought against an individual or fraudster.

To report fraud under the SEC whistleblower program, an individual must provide the SEC with original information about a violation of federal securities laws that has occurred, is ongoing, or is about to occur. The information must be provided voluntarily, leading to a successful enforcement action resulting in more than \$1 million in monetary sanctions.

Whistleblowers should consult with an attorney to fully understand their rights and obligations under the program.

Geoff Schweller also contributed to this article.

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National Law Review, Volumess XIII, Number 91

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