

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
SEATTLE DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ISHAN WAHI, NIKHIL WAHI, AND SAMEER  
RAMANI,

Defendants.

Civil Action No. 22-CV-01009

**AMENDED COMPLAINT**

**JURY TRIAL DEMANDED**

Plaintiff United States Securities and Exchange Commission (the “Commission”), for its  
Complaint against Defendants Ishan WahI, Nikhil WahI, and Sameer Ramani, alleges as follows:

**SUMMARY**

1. This case involves insider trading in certain crypto asset securities that Coinbase Global, Inc. (“Coinbase”) announced would be “listed,” or made available to trade, on its crypto asset trading platform. From at least June 2021 through April 2022, Ishan WahI (“Ishan”), a manager in Coinbase’s Assets and Investing Products group, repeatedly tipped material, nonpublic information about the timing and content of Coinbase’s “listing announcements” – in which Coinbase announced that crypto assets would be listed on its trading platform – to his brother Nikhil WahI (“Nikhil”) as well as his close friend Sameer Ramani (“Ramani”). Nikhil and Ramani used this information to trade ahead of dozens of listing announcements, earning at least \$1.1 million in illicit profits.

2. Ishan violated the duty of trust and confidence he owed to Coinbase when he repeatedly tipped Nikhil and Ramani. In turn, Nikhil and Ramani each repeatedly traded on the

1 basis of material, nonpublic information that they knew, were reckless in not knowing, or  
2 consciously avoided knowing that Ishan had provided them in breach of his duty to Coinbase and  
3 for a personal benefit. Ishan benefitted from his tip because he bestowed gifts of valuable material,  
4 nonpublic information on a trading relative and a close friend.

5           3.       Coinbase is one of the largest crypto asset trading platforms in the U.S., with more  
6 than 98 million registered users. Coinbase has had a practice, since at least May 2020, of publicly  
7 announcing on its blog or Twitter feed when it will begin listing certain crypto assets on its trading  
8 platform. The prices of crypto assets identified in these listing announcements, including crypto  
9 asset securities, typically appreciate quickly and significantly. (As used in this complaint, “crypto  
10 asset security” refers to an asset that is issued and/or transferred using distributed ledger or  
11 blockchain technology – including, but not limited to, so-called “digital assets,” “virtual  
12 currencies,” “coins,” and “tokens” – and that meets the definition of “security” under the federal  
13 securities laws.) The trading volume also multiplies, sometimes exponentially.

14           4.       At all relevant times, Coinbase’s employee policies stated that “material nonpublic  
15 information” included “information about a decision by Coinbase to list, not list, or add features to a  
16 Digital Asset [separately defined to include tokens].” The policies further emphasized that  
17 Coinbase employees should never disclose material, nonpublic information to any other person,  
18 including family and friends, or tip others who might make a trading decision using that material,  
19 nonpublic information.

20           5.       As a manager in Coinbase’s Assets and Investing Products group, Ishan – who had  
21 expressly acknowledged his duty to keep listings information confidential – was entrusted with  
22 first-hand knowledge of what crypto assets Coinbase planned to support and when Coinbase  
23 planned to make listing announcements. He also knew that conversations about this confidential  
24  
25  
26

1 information needed to be limited, even within Coinbase, to – as Ishan himself once noted – a  
2 “tighter circle.”

3           6.       Nevertheless, ahead of dozens of listing announcements in 2021 and 2022, and in  
4 breach of the duty he owed to Coinbase, Ishan repeatedly tipped his brother, Nikhil, and his close  
5 friend, Ramani, with material, nonpublic information about those listings’ timing and content.  
6 Ishan communicated by phone and text with both Nikhil and Ramani during 2021 and 2022,  
7 including exchanging phone calls and messages with both that would not be captured in U.S. phone  
8 company records because, among other things, Ishan was using a phone with a non-U.S. phone  
9 number (the “Foreign Phone”). For example, on October 20, 2021, the same day as a Coinbase  
10 listing announcement, Nikhil messaged Ishan’s Foreign Phone a dollar sign and the eyes emoji: “\$  
11 👁️.”  
12

13  
14           7.       Nikhil and Ramani, who knew, consciously avoided knowing, or were reckless in not  
15 knowing that Ishan was breaching a duty by providing them with this listing information, repeatedly  
16 purchased the crypto assets Coinbase planned to list ahead of these announcements. Between at  
17 least June 2021 and April 2022, blockchain addresses and accounts on trading platforms linked to  
18 Nikhil and Ramani traded ahead of – sometimes just minutes before – dozens of such  
19 announcements, trading in more than 60 crypto assets. To conceal their misconduct, Nikhil and  
20 Ramani frequently used nominee accounts and anonymous wallets both to conduct the trading and  
21 to transfer and receive illicit proceeds. In at least one situation, Nikhil and Ramani arranged to  
22 transfer illicit proceeds between accounts they controlled by jointly using an anonymous pass-  
23 through wallet, a transfer they discussed in a WhatsApp chat exchange.  
24

25           8.       As alleged in this Complaint, this repeated pattern of Ishan tipping Nikhil and  
26 Ramani with inside information, followed by Nikhil and Ramani trading on that information,

1 included trading in at least nine crypto asset securities, which were listed in seven of these  
2 announcements.

3           9.       For example, in November 2021, Ishan learned that Coinbase would soon announce  
4 the listing of the crypto asset POWR. As alleged further below, POWR was a crypto asset security.  
5 Beginning at 3:52 am ET on November 15, 2021, an account controlled by Nikhil at a foreign  
6 crypto trading platform purchased approximately \$75,286 worth of POWR. Then, just minutes  
7 after receiving confirmation that POWR would be listed later that day, Ishan called Nikhil. At 2:52  
8 pm ET – just two minutes before the Coinbase listing announcement – a blockchain address Nikhil  
9 controlled purchased another approximately \$7,000 worth of POWR. Almost immediately after the  
10 announcement, Nikhil sold \$105,737 worth of POWR tokens from his foreign crypto trading  
11 platform account, for a profit of approximately \$30,450, and exchanged the POWR in his  
12 blockchain address for another crypto asset, for a profit of approximately \$3,050. As a result,  
13 Nikhil realized total illicit proceeds of approximately \$33,500.  
14  
15

16           10.       Nikhil’s and Ramani’s suspicious trading drew attention. On May 11, 2022,  
17 Coinbase’s Director of Security Operations emailed Ishan to schedule an interview with Coinbase’s  
18 Legal Department in connection with an “ongoing company investigation into Coinbase’s asset  
19 listing process.” Ishan – using the Foreign Phone – then sent a screen shot of the interview request  
20 to both Nikhil and Ramani, and stated that he needed to speak with them urgently. On Monday,  
21 May 16 – the day of his scheduled interview – Ishan emailed coworkers that he would be “out  
22 indefinitely” because he “had to fly back to India overnight.” Ishan did not appear for his scheduled  
23 interview, but was prevented from leaving the country by law enforcement. Using the Foreign  
24 Phone, Ishan tried to call both Nikhil and Ramani several times on May 16.  
25  
26

1 **NATURE OF PROCEEDING AND RELIEF SOUGHT**

2 11. The Commission brings this action against Ishan Wahi, Nikhil Wahi, and Ramani  
3 pursuant to Sections 21(d), 21A, and 27 of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78u,  
4 78u-1, and 78aa (“Exchange Act”) to enjoin the transactions, acts, practices, and courses of business  
5 alleged in this Complaint and to seek disgorgement, prejudgment interest, civil penalties, and such  
6 further relief that the Court may deem appropriate.  
7

8 **JURISDICTION AND VENUE**

9 12. The federal securities laws define what a security is. That definition includes  
10 “investment contracts.” Section 2(a)(1) of the Securities Act of 1933, 15 U.S.C. § 77b(a)(1);  
11 Section 3(a)(10) of the Exchange Act, 15 U.S.C. § 78c(a)(10); *see also SEC v. W.J. Howey Co.*, 328  
12 U.S. 293, 298-99 (1946) (interpreting “investment contract”). The law vests the Commission with  
13 broad jurisdiction to regulate the securities markets and to bring actions for violations of the federal  
14 securities laws, including fraud and insider trading. *See* Sections 10(b), 21, 21A, and 27 of the  
15 Exchange Act, 15 U.S.C. §§ 78j(b), 78u, 78u-1, and 78aa; *see also* Commodity Exchange Act  
16 Sections 1(a)(41) and 2(a)(1)(A), 7 U.S.C. §§ 1(a)(41), 2(a)(1)(A) (preserving the SEC’s  
17 jurisdiction and confirming that the federal securities laws apply to securities).  
18

19 13. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), 21A,  
20 and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), 78u-1, and 78aa.  
21

22 14. Venue in this district is proper pursuant to Section 27(a) of the Exchange Act, 15  
23 U.S.C. §§ 78aa(a). Certain of the purchases and sales of securities and acts, practices, transactions,  
24 and courses of business constituting the violations alleged in this Complaint occurred within the  
25 Western District of Washington, and were effected, directly or indirectly, by making use of the  
26 means, instruments, or instrumentalities of transportation or communication in interstate commerce.

1 In particular, many of the communications and trades described herein originated in, or were  
2 ordered from, this District. Moreover, during the relevant period, Defendants Ishan and Nikhil  
3 resided in this District.

4  
5 **DEFENDANTS**

6 15. **Ishan Wahi**, 32, is a citizen of India, residing in Seattle, Washington on a work visa.  
7 From October 2020 to late May 2022, when he was placed on administrative leave, Ishan was a  
8 manager in Coinbase's Assets and Investing Products group. In response to an SEC subpoena for  
9 documents, Ishan asserted his Fifth Amendment right against self-incrimination.

10 16. **Nikhil Wahi**, 26, is a citizen of India, residing in Seattle, Washington, where he also  
11 resided from July 2021 to May 2022. Nikhil is a senior product manager at Salesforce, Inc., a  
12 cloud-based U.S. software company, where he has been employed since 2017. Nikhil is Ishan's  
13 brother. Nikhil has refused to respond to an SEC subpoena for documents. On September 12,  
14 2022, Nikhil entered a guilty plea to charges that he conspired to commit wire fraud in the case of  
15 *United States v. Wahi, et al.*, No. 1:22-cr-392, before the United States District Court for the  
16 Southern District of New York.

17 17. **Sameer Ramani**, 33, is a resident of Houston, Texas, and a citizen of the U.S.  
18 Ramani is believed to currently be in India. Ramani and Ishan attended the University of Texas at  
19 Austin at the same time and remain close friends.  
20

21  
22 **RELEVANT ENTITY**

23 18. **Coinbase Global, Inc.**, incorporated in Delaware and, during the relevant period,  
24 headquartered in San Francisco, California, operates one of the largest crypto asset trading  
25 platforms in the United States. Coinbase's common stock is registered with the Commission under  
26

1 Section 12(b) of the Exchange Act, and its securities are traded publicly on the Nasdaq Stock  
2 Market under the ticker symbol COIN.

3 **FACTS**

4 **Blockchains and Crypto Assets**

5 19. A blockchain is a type of distributed ledger or peer-to-peer database that is spread  
6 across a network and keeps track of all transactions in the network in theoretically unchangeable,  
7 digitally-recorded data packages called “blocks.” Each block contains a batch of records of  
8 transactions, including a timestamp and a reference to the previous block, so that the blocks together  
9 form a chain. A blockchain can be shared and accessed by anyone with appropriate permissions.  
10 The Ethereum blockchain is a well-known blockchain.

11 20. Crypto assets are unique digital assets maintained on a cryptographically-secured  
12 blockchain. One type of crypto asset – the kind at issue in this case – is known as a “token.”  
13 Enormous numbers of tokens can be created at once or over time. The blockchain records the  
14 creation (or “minting”) of the tokens and then keeps track of the blockchain address that controls  
15 the tokens.  
16

17 21. The crypto asset securities purchased and sold in the transactions at issue in the  
18 transactions described below were created using the “ERC-20” protocol on the Ethereum  
19 blockchain.  
20

21 **Ownership of Crypto Assets**

22 22. People own crypto assets, such as the crypto asset securities traded in the  
23 transactions at issue in this matter, and hold them within a blockchain address under their control.  
24 Often, someone controls an address—and the crypto assets held therein—through holding a private  
25 key for that address. Anyone with that private key can submit a transaction to the blockchain that  
26

1 will transfer the crypto assets at that address to another address. In a single blockchain address,  
2 people can hold multiple types of crypto assets.

3           23. People often control multiple blockchain addresses. They often store their private  
4 keys for those addresses in software called a “wallet” that allows them to submit transactions using  
5 the software rather than directly sending orders to a blockchain.  
6

7           24. People can also own crypto assets by opening an account with Coinbase or other  
8 crypto asset trading platforms, sometimes also referred to herein as secondary trading platforms,  
9 and then transferring their crypto assets from their personal blockchain address to an address  
10 controlled by the trading platform. In a secondary trading platform account, people can hold  
11 multiple types of crypto assets, along with currency such as U.S. dollars or Euros.  
12

### 13 **Crypto Asset Securities**

14           25. A digital token or crypto asset is a crypto asset security if it meets the definition of a  
15 security, which the Securities Act defines to include “investment contract,” *i.e.*, if it constitutes an  
16 investment of money, in a common enterprise, with a reasonable expectation of profit derived from  
17 the efforts of others. During the relevant period, Ishan provided material, nonpublic information  
18 about, and Nikhil and Ramani traded in, multiple crypto asset securities that meet this definition.  
19 Set forth in greater detail below are seven episodes of trading that Nikhil and Ramani conducted,  
20 based upon material, nonpublic information provided by Ishan, relating to nine crypto asset  
21 securities.  
22

23           26. After the initial sale by the issuer, crypto assets are often traded on secondary trading  
24 platforms, such as Coinbase. Crypto asset issuers may apply to these trading platforms to have  
25 crypto assets listed and made available for trading; the trading platforms select what crypto assets  
26 may be bought and sold on their systems. The existence of the secondary trading market offered by



1 platforms such as Coinbase allows market participants to buy and sell crypto assets, including  
2 crypto asset securities. Secondary market trading in crypto assets has grown exponentially, and the  
3 announcement of the listing of a crypto asset, including a crypto asset security, on Coinbase  
4 typically causes that asset's price and trading volume to rise dramatically.

5  
6 **Ishan Was Entrusted With Material, Nonpublic Information and Had a Duty to Keep That  
Information Confidential and Not Disclose It to Other Persons**

7 27. In October 2020, Coinbase hired Ishan as a manager in its Assets and Investing  
8 Products group, which was responsible for supporting and coordinating the Coinbase listing  
9 announcements described herein. Coinbase determined that because Ishan was regularly entrusted  
10 with material, nonpublic information, he was a "Covered Person" under its Global Trading Policy  
11 and Digital Asset Trading Policy (the "Policies").

12  
13 28. During the relevant period, the Policies stated that "You may disclose Material  
14 Nonpublic Information ONLY to Personnel designated by your manager. You should never  
15 disclose Material Nonpublic Information to any other person, even co-workers, family or friends."  
16 The Policies expressly defined "material nonpublic information" to include "information about a  
17 decision by Coinbase to list, not list, or add features to a Digital Asset [separately defined to include  
18 tokens]." The Policies specifically emphasized that Coinbase employees should not disclose  
19 material, nonpublic information, and included examples of activities that were "Not OK," including  
20 trading in advance of the listing of new digital assets on its trading platform:  
21

22 *Coinbase publicly announces that it will support a new digital asset in*  
23 *the coming year. You are an engineer that is helping to implement support of*  
24 *the new asset and you know that Coinbase plans a surprise early launch next*  
*week, so you buy the token.*

25 *You are involved with a fund which invests in digital assets. You are*  
26 *involved in deciding when the fund buys and sells digital assets, and you advise*  
*the fund to buy a particular asset because you know Coinbase is going to start*  
*trading the asset.*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

*You buy a digital asset which you know is or may be part of Coinbase’s non-public product roadmap or launch plans.*

29. On or around the day he joined Coinbase, Ishan signed an acknowledgement that he had read and understood the Policies.

30. By virtue of his position as a Product Manager in Coinbase’s Assets and Investing Products group, Ishan was directly involved in the asset listing process. He had first-hand knowledge of what crypto assets Coinbase planned to list and when Coinbase planned to announce an asset listing.

31. Ishan also understood the need to keep this information confidential, and that access to it was restricted even within Coinbase. In August 2021, Coinbase’s Assets and Investing Products group created an internal Slack channel, of which Ishan was an original participant, as “a safe place to discuss details around asset launches that we are trying not to share anymore in the broader listings channels (e.g., exact announcement / launch dates + timelines).” In an August 19, 2021 message to the group, which included Ishan, an employee suggested changing the asset listing process so that fewer employees would have advance knowledge “[a]s we are trying to protect MNPI [material nonpublic information].” In a February 2, 2022 message, Ishan’s colleague reminded the Assets and Investing Products group that anyone on the Slack channel “must be on the Enhanced Trading Policy (Covered Persons) as the information discussed here is MNPI.”

32. Ishan recognized the importance of keeping listings information confidential, later instructing everyone: “Please do not add anyone else to this channel.” Indeed, when asked if engineers could be added to the Slack channel, Ishan suggested keeping the Asset Listing Group’s channel limited to “a tighter circle.”

1 **Ishan Had a Close Relationship with Nikhil and Ramani and Communicated With Them**  
2 **Frequently Throughout the Relevant Period**

3 33. Ishan and Nikhil have a close relationship. For example, between June 2021 and  
4 April 2022, they typically communicated by text and phone multiple times a day.

5 34. The brothers also have a history of financial transactions with each other: for  
6 example, on February 11, 2021, Nikhil deposited a \$20,000 check from Ishan, purportedly a “loan”;  
7 on March 1, 2021, Nikhil transferred \$2,000 to Ishan. On April 17, 2022, Nikhil transferred crypto  
8 assets valued at \$19,500 from his Coinbase account to Ishan’s Coinbase account.

9 35. Ramani and Ishan have known each other since at least 2013. They attended the  
10 University of Texas at Austin at the same time. They follow each other on social media, including  
11 Soundcloud. The friends exchanged phone calls and text messages in 2021 and 2022.

12 36. At least by July 2021, Ishan possessed the Foreign Phone, a cell phone with a non-  
13 U.S. phone number. Ishan used the Foreign Phone to communicate with Nikhil and Ramani,  
14 particularly in April and May 2022. In his communications with Nikhil and Ramani using the  
15 Foreign Phone, Ishan used communications methods that would not be logged by a U.S. phone  
16 company, including by using applications such as WhatsApp to communicate with his brother and  
17 friend.  
18  
19

20 **Defendants Repeatedly Engaged in Insider Trading in Crypto Asset Securities in Advance of**  
21 **Coinbase Listing Announcements, Which They Took Steps To Conceal**

22 37. As set forth in more detail below, between at least June 2021 and April 2022,  
23 Defendants engaged in a scheme – carried out over multiple months, involving multiple Coinbase  
24 listing announcements – to trade on inside information regarding crypto asset securities.

25 38. Ishan repeatedly tipped Nikhil and Ramani with material, nonpublic information in  
26 advance of Coinbase’s listing announcements of certain crypto asset securities. While residing in

1 the United States, Ishan misappropriated this material, nonpublic information from Coinbase, a  
2 company incorporated and headquartered in the United States throughout the relevant period.

3 39. Nikhil and Ramani, who knew, consciously avoided knowing, or were reckless in not  
4 knowing that Ishan was providing this material, nonpublic information in breach of his duty to  
5 Coinbase and for a personal benefit, repeatedly traded using that information, reaping substantial  
6 profits.  
7

8 40. Nikhil and Ramani were aware of each other's illegal trading and communicated  
9 regarding the transfer of assets among accounts and wallets they controlled.

10 41. Because all of the Defendants understood that Ishan was providing material,  
11 nonpublic information in breach of his duty to Coinbase, the Defendants took steps to conceal their  
12 communications and trading, including by utilizing multiple accounts, wallets, and addresses across  
13 multiple platforms, including foreign trading platforms, in carrying out their trading in advance of  
14 Coinbase's listing announcements.  
15

16 **A. The June 8, 2021 Listing Announcement – AMP**

17 42. By virtue of his position at Coinbase, on or before June 6, 2021, Ishan learned that  
18 Coinbase planned to announce the listing of crypto asset AMP on its platform. As alleged further  
19 below, AMP was a crypto asset security.  
20

21 43. On June 7, 2021, a blockchain address that has directly or indirectly sent funds to,  
22 and received funds from, Ramani (the "Ramani AMP Trading Address A") bought nearly 700,000  
23 AMP tokens at a cost of approximately \$30,650.

24 44. On the morning of June 8, 2021, a second address (the "Ramani AMP Trading  
25 Address B"), which, directly or indirectly, has sent funds to Ramani, purchased approximately  
26 1,165,000 AMP tokens, at a cost of approximately \$49,000.

1 45. On June 8, 2021, at 1:00 pm ET, Coinbase announced that it was listing AMP.  
2 AMP's price quickly rose more than 11%, while its trading volume more than tripled.

3 46. On June 10 and June 11, 2021, the two Ramani AMP Trading Addresses sold nearly  
4 all of the AMP tokens they had purchased for Ethereum tokens ("ETH," a widely used  
5 cryptocurrency) valued at approximately \$97,600, representing profits of approximately \$17,950.

6 47. Ramani AMP Trading Addresses A and B then transferred the ETH to a deposit  
7 blockchain address held by Ramani at a foreign trading platform on June 10 and 11, 2021.

8  
9 **B. The July 14, 2021 Listing Announcement – RLY**

10 48. By virtue of his position at Coinbase, on or around July 12, 2021, Ishan learned that  
11 Coinbase intended to announce on July 14 that the RLY token would be listed on its platform. As  
12 alleged further below, RLY was a crypto asset security. The next day, on July 13, 2021, Ishan and  
13 Nikhil called each other several times.  
14

15 49. On July 13, 2021, at 4:45 am ET, a blockchain address that has received funds from  
16 Nikhil (the "Nikhil RLY Trading Address"), funneled through two intermediary addresses in a  
17 series of transactions, began trading in RLY tokens. Before Coinbase's RLY listing announcement  
18 the next day, the Nikhil RLY Trading Address had a net accumulation of approximately 34,000  
19 tokens, at a cost of approximately \$14,500.  
20

21 50. On July 14, 2021, Coinbase announced RLY's listing. As the day progressed,  
22 RLY's price rose approximately 20%, while its trading volume increased by nearly 60%.

23 51. Over the next two days, the Nikhil RLY Trading Address sold the approximately  
24 34,000 RLY tokens for approximately \$16,200, earning an approximate profit of \$1,700. While  
25 engaging in this activity, Nikhil also accessed other online accounts from an IP address associated  
26 with his home in this district.

1           52.     On July 19, 2021, the RLY Trading Address transferred the equivalent of  
2 approximately \$34,750 to a deposit address at a foreign trading platform that was controlled by  
3 Nikhil using a pseudonymous email address.

4           **C. The August 31, 2021 Listing Announcement -- DDX**

5           53.     On August 19, 2021, participants in a private Coinbase Slack channel for “@asset-  
6 listings” – a group that included Ishan – discussed Coinbase’s plan to list crypto asset DDX, among  
7 others, on August 24, 2021. Another participant in that discussion proposed changes to pre-listing  
8 activities because “we are trying to protect MNPI [material nonpublic information].” As alleged  
9 further below, DDX was a crypto asset security.

11           54.     Coinbase initially slated the announcement of DDX’s listing for August 24, 2021,  
12 but then rescheduled it to August 31, 2021.

13           55.     On August 25, 2021, a blockchain address that had sent funds, directly or indirectly,  
14 to Ramani (the “Ramani DDX Trading Address A”) began trading in DDX tokens, accumulating a  
15 total of approximately 3,450 tokens by August 29, for a cost of approximately \$18,700.

17           56.     On August 31, 2021, a second address that has also previously sent funds, directly or  
18 indirectly, to Ramani (the “Ramani DDX Trading Address B”) purchased approximately 3,670  
19 DDX tokens at a cost of approximately \$30,000 in 10 separate transactions between 8:20 am ET  
20 and 12:58 pm ET.

21           57.     Approximately two hours later, Coinbase announced that DDX would be made  
22 available for trading. Following the announcement, the market price for DDX spiked  
23 approximately 145% in a little more than an hour, while trading volume increased over 470% from  
24 the previous day’s trading.  
25  
26

1 58. Later in the day on August 31, 2021, the Ramani DDX Trading Addresses A and B  
2 sold their DDX in exchange for another crypto asset, for a combined profit of approximately  
3 \$37,000.

4 59. On September 1, 2021, the Ramani DDX Addresses A and B sent the equivalent of  
5 approximately \$102,384 to the same deposit address on a foreign trading platform. This deposit  
6 address has, directly or indirectly, sent funds to Ramani.  
7

8 **D. The September 8, 2021 Listing Announcement – XYO and RGT**

9 60. On August 30, 2021, participants in the private Coinbase Slack channel “@asset-  
10 listings” – a group that included Ishan – discussed “tomorrow’s announcement” that Coinbase  
11 planned to list the XYO and RGT tokens. As set forth further below, XYO and RGT were both  
12 crypto asset securities.  
13

14 **(1) Ramani’s Trading in XYO**

15 61. On August 31, eight blockchain addresses, each of which has sent funds, directly or  
16 indirectly, to Ramani, began buying XYO.

17 62. Later on the afternoon of August 31, a manager in Coinbase’s Assets and Investing  
18 Products group informed the group, including Ishan, that Coinbase would not announce its planned  
19 listing of RGT and XYO on August 31. Instead, the listing “will be pushed out to next week.” On  
20 September 1, though, at 10:44 am ET, there was another discussion on the @asset-listing Slack  
21 channel about announcing the listing of XYO later that day. Shortly thereafter, at 11:21 am ET, a  
22 blockchain address that, directly or indirectly, has sent funds to Ramani began buying XYO. The  
23 XYO listing announcement was later pushed again, to September 8.  
24

25 63. Between September 1 and 8, 2021, an additional six blockchain addresses, each of  
26 which, directly or indirectly, has sent funds to or received funds from Ramani, bought XYO. In

1 total, 15 blockchain addresses linked to Ramani (the “Ramani XYO Buying Addresses”) bought  
2 approximately 38 million XYO tokens, valued at \$600,000, before Coinbase announced, on  
3 September 8, 2021, that it would list XYO and RGT.

4 64. Within minutes of the listing announcement, the price of XYO increased more than  
5 20%, while trading volume increased 263% the day of the announcement, and then more than  
6 quadrupled again the next trading day.

7  
8 65. Between September 8 and 12, 2021, each of the 15 Ramani XYO Buying Addresses  
9 transferred their XYO tokens to the same address (the “Ramani XYO Selling Address”), which,  
10 directly or indirectly, had also previously received funds from, and sent funds to, Ramani. Between  
11 September 9 and 12, 2021, the Ramani XYO Selling Address transferred the approximately 38  
12 million XYO tokens to a blockchain address on a foreign trading platform.

13  
14 66. At the time of these transfers, Ramani’s XYO tokens were valued at approximately  
15 \$1.5 million, representing a profit of approximately \$900,000.

16 **(2) Ramani’s Trading in RGT**

17 67. Ramani’s trading in RGT ahead of the September 8, 2021 announcement also closely  
18 tracked the material, nonpublic information that Coinbase provided Ishan regarding RGT’s planned  
19 listing.

20  
21 68. On August 31, a blockchain address that has sent funds, directly or indirectly, to  
22 Ramani started trading in RGT (the “Ramani RGT Trading Address A”), accumulating  
23 approximately 2,186 RGT tokens for an approximate cost of \$25,700.

24 69. On September 1 and 5, 2021, another blockchain address that has sent funds, directly  
25 or indirectly, to Ramani (the “Ramani RGT Trading Address B”) purchased approximately 2,884  
26 RGT tokens at an approximate cost of \$52,500.



1           70.     On September 2, 2021, Ishan learned from an @asset-listings Slack chat that the  
2 listing announcement for RGT had been rescheduled for September 8, 2021.

3           71.     On September 5, another blockchain address that has sent funds, directly or  
4 indirectly, to Ramani (the “Ramani RGT Trading Address C”) began purchasing RGT tokens,  
5 accumulating 2,927 RGT tokens at a cost of approximately \$56,400.  
6

7           72.     On September 8, 2021, Coinbase announced the listing of RGT. Within minutes, the  
8 price of RGT increased by more than 20%, and trading volume more than doubled.

9           73.     Following the announcement, the Ramani Trading Address A transferred its RGT  
10 tokens to an intermediary address; at the time of the transfer, the 2,186 RGT tokens that Ramani  
11 Trading Address A had purchased had an approximate value of \$34,400, representing profits of  
12 approximately \$8,700. Following the announcement, the Ramani Trading Addresses B and C sold  
13 their RGT tokens for ETH for net losses.  
14

15           **E. The October 27, 2021 Listing Announcement – LCX**

16           74.     On October 21, 2021, participants in the private Coinbase Slack channel @asset-  
17 listings – a group that included Ishan – discussed Coinbase’s plan to list crypto asset LCX “next  
18 week.” As set forth in further detail below, LCX was a crypto asset security.

19           75.     On October 25, 2021, shortly before 10 pm ET, Ishan received confirmation from the  
20 same Slack channel that Coinbase’s LCX announcement was on track for October 27, 2021.  
21 Beginning the next morning, October 26, one blockchain address, which, directly or indirectly, has  
22 received funds from Ramani (the “Ramani LCX Trading Address A”) bought approximately  
23 347,700 LCX tokens in four separate transactions at a cost of approximately \$96,000.  
24

25           76.     By 6:45 pm ET on October 26, Ishan received further confirmation that Coinbase  
26 would be announcing the LCX listing the next day. Later that evening, another blockchain address

1 that has sent funds, directly or indirectly, to Ramani (the “Ramani LCX Trading Address B”)  
2 purchased approximately 668,880 LCX tokens in two transactions, at a total cost of approximately  
3 \$205,000. Also on the evening of October 26, a third blockchain address that has sent funds,  
4 directly or indirectly, to Ramani (the “Ramani LCX Trading Address C”) purchased approximately  
5 356,350 LCX tokens for a cost of approximately \$104,200. Collectively, the three blockchain  
6 addresses (the “Ramani LCX Trading Addresses”) purchased approximately 1,372,930 LCX tokens,  
7 at a total cost of approximately \$405,000, on October 26, 2021.  
8

9 77. The next day, October 27, Coinbase announced LCX’s listing. Within minutes,  
10 LCX’s price rose approximately 20%, while its trading volume on the day of the announcement  
11 rose nearly 60%.

12 78. Between November 2, 2021 and November 6, 2021, the three Ramani LCX Trading  
13 Addresses transferred the LCX tokens, or sold the LCX tokens for other crypto assets before  
14 transferring those assets, to other blockchain addresses that, directly or indirectly, had received  
15 funds from, and/or sent funds to, Ramani. Specifically, the Ramani LCX Trading Address A sold  
16 approximately 347,300 LCX tokens for other crypto assets, valued at approximately \$111,000, on  
17 November 5, 2021, for profits of approximately \$15,000. On November 6, 2021, the Ramani LCX  
18 Trading Address B transferred its approximately 668,880 LCX tokens, valued at approximately  
19 \$308,000 to a deposit address at a foreign trading platform, representing approximate profits of  
20 \$103,000. Ramani and the purported holder of the deposit address have repeatedly used the same  
21 IP addresses to access various accounts. On November 2, 2021, the Ramani LCX Trading Address  
22 C sold approximately 356,300 LCX tokens for other crypto assets, valued at approximately  
23 \$159,200, for profits of approximately \$55,000. In total, at the time of the transfers or sales, the  
24 Ramani LCX Trading Addresses generated profits of approximately \$173,000.  
25  
26

1 79. On October 26 and November 2, 2021, during the time Ramani engaged in the LCX  
2 trading described above, he accessed other personal financial accounts from IP addresses associated  
3 with his U.S. residence and mobile phone.

4 **F. The November 15, 2021 Listing Announcement – POWR**

5 80. On September 15, 2021, two of Nikhil’s Coinbase blockchain addresses transferred  
6 approximately 28.4 ETH tokens, valued at approximately \$102,670, to a third address (“the Nikhil  
7 Funded Address”). Later that same day, the Nikhil Funded Address forwarded the ETH tokens to a  
8 deposit address on a foreign trading platform (“the Nikhil Deposit Address”). On September 29,  
9 2021, Nikhil transferred an additional 19.3 ETH tokens, valued at \$55,060, from one of his  
10 Coinbase addresses to the Nikhil Funded Address, which again forwarded the ETH tokens a few  
11 hours later to the Nikhil Deposit Address.  
12

13 81. On November 9, 2021, the Nikhil Deposit Address transferred 0.82 ETH tokens to  
14 yet another address (the “Nikhil POWR Trading Address”), which also received the equivalent of  
15 approximately \$141,757 in three separate transactions on November 7 and 8, 2021, from a second  
16 blockchain address on the foreign trading platform.  
17

18 82. By November 12, 2021, Ishan knew from the Coinbase @asset-listings Slack  
19 channel that Coinbase would be announcing the listing of crypto asset POWR. As set forth further  
20 below, POWR was a crypto asset security.  
21

22 83. On November 15, 2021, at approximately 3:52 am ET, Nikhil used an account on a  
23 crypto trading platform registered under the email address shyam8singh9@gmail.com (the  
24 “Shyam8 Account”) to purchase approximately \$75,286 worth of POWR. Nikhil is the owner of  
25 the Shyam8 Account, and an IP address registered to Nikhil and his home address in this district  
26 was used to register the email address associated with the Shyam8 Account.

1           84.     On November 15, 2021, at approximately 10:50 am ET, Ishan received confirmation  
2 that POWR would list later that day. Just minutes later, at 11:04 am ET, Ishan called Nikhil.  
3 Beginning at 2:52 pm ET, just two minutes before the Coinbase listing announcement, the Nikhil  
4 POWR Trading Address purchased 18,413 POWR for a value of approximately \$7,000. The person  
5 making this purchase from the Nikhil POWR Trading Address was using the same IP address that  
6 has been used to access a trading account Nikhil controlled at another secondary trading platform.

7  
8           85.     After the announcement, POWR's price rose 44% almost immediately and over  
9 113% on the day, while its trading volume exploded by over 9,500% from the previous day's  
10 trading.

11           86.     Six minutes after Coinbase announced that it would be listing POWR, the Shyam8  
12 Account sold its POWR, now worth approximately \$105,737, for profits of approximately \$30,000.  
13 Less than two hours later, the Nikhil POWR Trading Address exchanged the 18,413 POWR tokens  
14 for the equivalent of approximately \$10,050 in another crypto asset, for a profit of approximately  
15 \$3,050. On November 23, 2021, the Nikhil POWR Trading Address transferred these funds, with  
16 other funds, to the Nikhil Funded Address.

17  
18           87.     On November 15, 2021, Nikhil accessed other personal accounts from an IP address  
19 associated with his residence in this district and from a cellular phone in this district.  
20

21           **G. The April 11, 2022 Listing Announcement – DFX and KROM**

22           88.     On April 7, 2022, Ishan accessed an internal Coinbase spreadsheet that showed  
23 Coinbase intended to list crypto assets DFX and KROM on April 11. He accessed that spreadsheet  
24 again, twice, early on the morning of April 11. Ishan had access to that spreadsheet by virtue of his  
25 position within Coinbase. That spreadsheet also had columns for price and trading data for trading  
26

1 volume and market cap for each crypto asset. As alleged further below, DFX and KROM were both  
2 crypto asset securities.

3 89. On April 11, 2022, a blockchain address, which has sent funds, directly or indirectly,  
4 to Ramani (the “Ramani April 11 Trading Address A”), purchased both DFX and KROM.  
5 Specifically, on the morning of April 11, the Ramani April 11 Trading Address purchased 113,760  
6 DFX tokens, at a cost of approximately \$48,600. That morning, and continuing into the afternoon,  
7 the Ramani April 11 Trading Address purchased 783,309 KROM tokens, at a cost of approximately  
8 \$72,700. Also, on April 11, 2021, a second address, which has also sent funds, directly or  
9 indirectly, to Ramani (the “Ramani April 11 Trading Address B”), bought approximately 839,430  
10 KROM tokens, at a cost of approximately \$77,000.  
11

12 90. On April 11, 2022, at 5:05 pm ET, Coinbase announced that it planned to list DFX  
13 and KROM on its trading platform. The price of both DFX and KROM increased slightly shortly  
14 after the announcement, followed by substantial increases the next day – more than 50% for  
15 KROM, and more than 80% for DFX. Trading volumes for each also increased significantly, rising  
16 471% for KROM and 818% for DFX.  
17

18 91. The Ramani April 11 Trading Address A has retained the DFX and KROM tokens.  
19 Had it sold the tokens at their high prices on April 12, the day following the announcement, the  
20 Ramani April 11 Trading Address A could have realized combined profits of approximately  
21 \$69,000. The Ramani April 11 Trading Address B has also retained its KROM tokens. Had it sold  
22 the tokens at the high price for KROM on April 12, the day following the announcement, the wallet  
23 could have realized profits of approximately \$35,000.  
24

25 92. On April 11, 2022, Nikhil accessed a personal financial account from an IP address  
26 associated with a cellular phone in the U.S.

**Defendants Traded in Dozens of Additional Crypto Assets Based on Material, Nonpublic Information, Concealing Their Trading Activity and Sharing Profits**

93. In addition to the trading described above, between July 2021 and April 2022, Defendants repeatedly engaged in a strikingly similar pattern of conduct, with Nikhil trading in dozens of additional crypto assets utilizing material, nonpublic information that he knew, consciously avoided knowing, or was reckless in not knowing, had been provided by his brother, Ishan, in breach of his duty to Coinbase and for a personal benefit. In carrying out this trading, as with the trading described above, Defendants took steps to conceal their trading, communications, and financial connections. Specifically, Nikhil employed multiple nominee accounts and anonymous wallets to conceal his trading and illicit profits, and to coordinate the transfer of certain illicit profits with Ramani.

94. In connection with one of those trading episodes, on February 13, 2022, an anonymous wallet beginning with 0xb7a915 that Ramani had access to (the “0xb7a915 Wallet”) made two separate transfers to an anonymous wallet with an address beginning 0xe02a168 (the “0xe02a168 Wallet”). At 2:50 pm EST, it transferred USDC worth approximately \$188,695 and, at 2:53, it transferred 1.48 ETH worth approximately \$4,300.

95. Using WhatsApp, Nikhil and Ramani arranged for Ramani to execute the transfers from the 0xb7a915 Wallet to the 0xe02a168 Wallet described in the preceding paragraph. On February 13, 2022, minutes before the transfers, the following WhatsApp chat exchange took place between a phone number registered to Nikhil and a phone number used by Ramani to make a travel reservation in his name:

Nikhil: Yo are you free now?

Ramani: Yup

Ramani: Call you in 10 mins

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Nikhil: Sounds good!

[Missed voice call from Ramani]

Nikhil: 0xe02a168d30A4A30Cd95AD709323664d7890e1F43 [the “0xe02a168 Wallet”]

Ramani: Leme know once in

Nikhil: Got it, thanks!

Ramani: Ok there’s some balance eth too, same or somewhere else?

Nikhil: Same place is good

Ramani: Ok sent that too

Nikhil: Perfect got that as well

Nikhil: Thanks a lot bro

Ramani: Not a problem at all buddy

96. On February 23, 2022, the 0xe02a168 Wallet transferred its holdings to an account on a foreign crypto trading platform associated with the email address biimbaum23@gmail.com (the “Biimbaum23 Account”). A telephone number registered to Nikhil is associated with the Biimbaum23 Account. From the time it received the funds from the 0xb7a915 Wallet until it transferred the funds to the Biimbaum23 Account, the 0xe02a168 Wallet did not engage in any other transactions. Nikhil and Ramani used it only as a pass-through wallet to conceal the origins of Nikhil’s trading proceeds.

**Ishan, Alerted To an Investigation into His Misconduct, Attempted to Flee the U.S. and Urgently Contacted Nikhil and Ramani**

97. On April 12, 2022, a third party tweeted about suspicious and timely trading by the Ramani April 11 Trading Address A in advance of Coinbase’s April 11, 2022 listing announcement. On May 11, 2022, Coinbase’s Director of Security Operations emailed Ishan to schedule an interview with “Legal” for May 16, noting the interview was in connection with an “ongoing

1 company investigation into Coinbase’s asset listing process.” Ishan – using the Foreign Phone –  
2 then sent a screen shot of the interview request to Ramani and Nikhil, and sent them a message  
3 indicating that they needed to speak urgently. Ramani did not ask why Legal might want to talk to  
4 Nikhil or why Nikhil might be telling Ramani about Legal’s request and instead responded by  
5 saying: “Bro I’m on standby. Let me know if you need anything.”  
6

7 98. On Monday, May 16 – the day of his scheduled interview – Ishan emailed coworkers  
8 that he would be “out indefinitely” because he “had to fly back to India overnight.” Ishan did not  
9 appear for his scheduled interview, but was prevented from leaving the country by law enforcement.  
10 Using the Foreign Phone, Ishan tried to call both Nikhil and Ramani several times on May 16.

11 99. In response to subpoenas from the SEC, Ishan has invoked his Fifth Amendment  
12 rights, and Nikhil has refused to respond. Ramani is believed to currently be in India.  
13

14 **Nikhil and Ramani Purchased and Sold “Securities”**

15 100. Throughout the relevant period, Nikhil and Ramani repeatedly traded ahead of  
16 Coinbase listing announcements, trading in at least 70 tokens. At least seven of the listing  
17 announcements described above involved crypto asset securities. Nikhil and Ramani traded in  
18 securities subject to the federal securities laws because these crypto assets were investment  
19 contracts; they were offered and sold to investors who made an investment of money in a common  
20 enterprise, with a reasonable expectation of profits to be derived from the efforts of others.  
21

22 101. As alleged in greater detail below, each of the nine crypto asset securities were  
23 offered and sold by an issuer to raise money that would be used for the issuer’s business. In the  
24 offerings, the issuers directly sold crypto asset securities to investors in return for consideration  
25 (most commonly Bitcoin, ETH, U.S. dollars, or other fiat currency, or processed through the use of  
26



1 smart contracts). The crypto asset securities then were issued and distributed to the investors’  
2 blockchain addresses.

3       102. As alleged in greater detail below for nine of these crypto asset securities, the issuers  
4 and their promoters solicited investors by touting the potential for profits to be earned from  
5 investing in these securities based on the efforts of others. These statements focused on, among  
6 other things, the value of the token at issue and the ability for investors to engage in secondary  
7 trading of the token, with the success of the investment depending on the efforts of management and  
8 others at the company. The issuers and their agents used websites, social media, and messaging  
9 systems to make these representations. Some issuers wrote “white papers” describing the project  
10 and promoting the offering, often in highly technical (or pseudo-technical) terms and jargon. Many  
11 issuers also made public statements on platforms such as Twitter, Medium (a platform commonly  
12 used by crypto asset industry participants), and YouTube.  
13  
14

15       103. In addition, as alleged in the nine examples detailed below, the issuers and promoters  
16 emphasized the ability for investors to resell these tokens in the secondary markets, on platforms  
17 such as Coinbase, which was a crucial inducement to investors and essential to the market for these  
18 crypto assets securities. Investors were told, explicitly or implicitly, that they could sell their  
19 securities in the secondary markets and that the liquidity available in the secondary markets could  
20 drive up the value of their crypto asset securities.  
21

22       104. As alleged in greater detail below, each of the nine companies that offered these  
23 crypto asset securities and their promoters further emphasized, among other things, their efforts to  
24 get their crypto asset securities listed on secondary trading platforms, and the critical role that  
25 executives and others at the company played in turning the company into a success, thereby  
26 increasing the value of the crypto asset security. In other words, each of the nine companies invited

1 people to invest on the promise that it would expend future efforts to improve the value of their  
2 investment.

3 105. These hallmarks of the definition of a security continue to be true for the crypto asset  
4 securities that are the subject of the trading in this complaint, including continuing representations  
5 by issuers and their management teams regarding the investment value of the tokens, the managerial  
6 efforts that contribute to the tokens' value, and the availability of secondary markets for trading the  
7 tokens. Thus, at all times relevant to the conduct alleged in this complaint, a reasonable investor in  
8 the nine crypto asset securities would continue to look to the efforts of the issuer and its promoters,  
9 including their future efforts, to increase the value of their investment.

11 **A. AMP**

12 106. Amp is an Ethereum-based token that was created by Flexa Network, Inc. ("Flexa"),  
13 a company incorporated in Delaware with its headquarters in New York, New York. Flexa operates  
14 what it describes as a digital merchant payment network designed to enable rapid, universal, and  
15 secure processing of digital asset transactions (the "Flexa network").

17 107. According to Flexa, the Flexa network allows consumers to use, and merchants to  
18 accept, crypto assets to make everyday purchases. Customers seeking to use crypto assets link their  
19 wallets to Flexa. When the customer makes a purchase, Flexa states that it will pay the merchant  
20 immediately in either fiat or a convertible digital currency of its choice and deducts the equivalent  
21 value of crypto assets from the customer's wallet. Flexa then collects payment processing fees from  
22 the merchant.

24 108. Flexa states that the Amp token serves as collateral to decentralize risk within the  
25 Flexa network. According to Flexa, this process works as follows: (1) Amp holders stake their  
26 Amp tokens in blockchain-based collateral pools, which serve to guarantee transactions taking place

1 on the Flexa network; (2) when a transaction takes place on the Flexa network, Amp tokens equal to  
2 the fiat value of the transaction are held in escrow by a collateral manager while Flexa settles the  
3 transaction by converting the crypto asset into fiat currency; (3) once the transaction settles, the  
4 Amp tokens are released and can be used to collateralize another transaction; and (4) if the  
5 transaction fails, the Amp tokens held as collateral are liquidated. To reward those that stake Amp,  
6 Flexa uses the fees it collects from merchants to make open market purchases of Amp and then  
7 distributes those Amp tokens based on a pro rata shares of the tokens that were staked in the  
8 collateral pool, which can lead to further profit.

10 109. Amp is the successor token to Flexacoin, which was first developed by Flexa in  
11 February 2018. Between February 2018 and April 2019, Flexa sold 12 billion Flexacoins in private  
12 sales to groups of accredited investors, token funds, and other strategic partners, with over \$14  
13 million raised in April 2019 alone. At the time, the Flexa network was not yet operational. Flexa  
14 has claimed that “[t]he proceeds from this token sale have helped us continue to build out the Flexa  
15 network through additional merchant integrations and relationships with critical infrastructure  
16 partners.”

18 110. In April 2019, Flexa announced that the maximum supply of Flexacoins would be  
19 100 billion tokens and that the Flexacoins would ultimately be allocated as follows: 10% to a  
20 Network Development Fund; 20% to token sales; 20% to a Founding Team and Employee Pool;  
21 25% to a Merchant Development Fund; and 25% to Developer Grants. The Flexa network launched  
22 in May 2019.

24 111. To help collateralize the Flexa network, in November 2019, Flexa announced a plan  
25 to distribute a total of 1 billion Flexacoin (2.5 million each day starting on December 16, 2019)  
26 from its Network Development Fund in the form of rewards to everyone who provides capacity on

1 the Flexa network. In January 2020, Flexa began public sales to investors of an additional 4.5  
2 billion Flexacoins.

3 112. In September 2020, Flexa announced it was migrating the collateral function on the  
4 Flexa network from Flexacoins to the newly developed Amp token, and that Flexacoin holders  
5 could exchange their tokens for Amp at a 1:1 ratio. Flexa’s management explained that “because of  
6 the nature of the interfaces required to implement the new capabilities of Amp, it wouldn’t have  
7 been possible to simply upgrade the Flexacoin token.” Flexacoin retained the limit of 100 billion  
8 tokens.  
9

10 113. On September 30, 2020, Flexa stopped using Flexacoins as collateral for transactions  
11 on the Flexa network.

12 114. *Purchasers of Flexacoin/Amp tokens invested in a common enterprise.* In its  
13 November 2020 Amp white paper, Flexa explained that “participants stake Amp into pools that  
14 secure the network.” These collateral pools, comprised entirely of Amp, are what allow Flexa to  
15 operate. Or, as Flexa put it in the Amp white paper, the “Amp token serves as the singular type of  
16 collateral within Flexa to decentralize risk within the network.” If the collateral pools are  
17 profitable, investors who stake Amp can share in the profits.  
18

19 115. Prior to the Flexacoin offering, Flexa described Flexacoin in the same way, stating in  
20 the May 2019 white paper that “Flexacoin is staked to collateralize every payment on the Flexa  
21 network.”  
22

23 116. Amp investors also share a common interest with Flexa’s management team. Flexa  
24 explained in an April 2019 Medium post that 20% of the total percentage of Flexacoin was reserved  
25 for the Founding Team and Employee Pool to “incentiviz[e] current and future Flexa team  
26 members. All supply from this allocation will be distributed on a four-year vesting schedule.”

1           117. *Investors in Flexacoin/AMP had a reasonable expectation of profits based on the*  
2 *efforts of others.* From the start, Flexa has regularly emphasized the profit opportunity for Amp  
3 holders. For example:

- 4           • In the Amp white paper, Flexa explained that Amp “serves as a medium for accruing  
5 value” and “continuously appreciates in value as a direct result of its utility” within  
6 the Flexa network.
- 7           • The Amp white paper also stated, “Amp token pricing is based on user demand for  
8 staking yield, spending utility, and, expectation of future productivity growth.”
- 9           • The white paper further explained that as Amp’s “token price increases, adoption  
10 (i.e. staking) increases, and the Amp staking cycle becomes systematic and more  
11 correlated to consumption.”
- 12           • The white paper further claimed that participants that stake Amp into the collateral  
13 pools are entitled to receive “network rewards” – more Amp tokens – on a pro-rata  
14 basis. These rewards are derived from the “entirety of network transaction revenue,”  
15 which includes fees charged to merchants. This transaction revenue, in turn, “funds  
16 the continuous open-market purchase of Amp tokens for redistribution as network  
17 rewards.” Therefore, as the total amount and value of transactions on the Flexa  
18 network increases, the total transaction revenue similarly increases, resulting in more  
19 open-market purchases of Amp to enable distribution of the network rewards.  
20  
21  
22

23           118. Flexa’s August 2019 description of Flexacoin, Amp’s predecessor, also reinforced  
24 the potential rewards for investors: “Stakers don’t collateralize Flexa payments purely out of the  
25 goodness of their hearts. Rather, as incentive for deploying Flexacoin as collateral – and to  
26 compensate the risk they incur when collateralizing unproven apps on the network – stakers earn the

1 network reward generated after every successful payment confirmation.” As described below,  
2 Flexa’s management team maintains these collateral pools.

3 119. Flexa has continually promoted the availability of Amp (and previously, Flexacoin)  
4 to be bought and sold on secondary trading platforms. For example:

- 5 • On July 9, 2019, Flexa posted on its blog that Flexacoin was now available to buy  
6 and sell on a secondary market platform, making it “easier than ever for people all  
7 over the world to take part in Flexa’s vision of mainstream cryptocurrency payments,  
8 and soon, to stake those payments themselves while earning rewards for  
9 collateralizing every purchase.”
- 10 • Between January 2021 and June 2022, Flexa made at least six announcements about  
11 Amp being listed on additional secondary trading markets and crypto trading  
12 platforms. Flexa also sought to facilitate such listings. For example, on April 18,  
13 2019, Flexa applied to have the Flexacoin listed on a U.S.-based secondary trading  
14 platform.  
15  
16

17 120. The May 2019 Flexacoin white paper devoted an entire section to “Our team,”  
18 making clear that the co-founders and a small number of employees were responsible for Flexa’s  
19 administrative, marketing, and technical development. Further, as noted above, Flexa’s founders  
20 and management team held 20 billion of the total 100 billion Flexacoin (and therefore hold the same  
21 number of Amp tokens) to “incentiviz[e] current and future Flexa team members.”

22 121. Flexa and its founders have continued to emphasize their importance to the future  
23 success of the Flexa network and Amp. For example,

- 24 • In a September 8, 2020 Medium post, Flexa stated that “we take our responsibility to  
25 the Flexa community very seriously,” and “we recognize our great fortune in being  
26

1 able to build the future of payments on top of revolutionary software like Bitcoin,  
2 Ethereum, and the various platforms that collectively represent DeFi.”

- 3 • On June 18, 2020, the CEO and co-founder of Flexa stated in a Youtube video, “we  
4 [the founders] built this network from the ground up” and “we’ve created an open  
5 network.”
- 6 • In a January 28, 2021 Flexa blog post, the founders detailed the many improvements  
7 they have made to the network, including partnerships and upgrades.
- 8 • Throughout 2021 and 2022, Flexa’s management has continued to issue blog posts  
9 highlighting continued improvements and greater acceptance of the Flexa network  
10 and the Amp token.  
11

12 122. AMP can be bought and sold for fiat currency or other crypto assets on numerous  
13 secondary trading platforms. Its price has fluctuated from \$0.009 at first issuance to as high as  
14 \$0.011 – approximately a 1000% return – to a current price roughly equal to its starting point.  
15

16 **B. RLY**

17 123. RLY is a token issued on the Ethereum blockchain. Rally Network, Inc. (“Rally”) is  
18 a Delaware corporation based in San Francisco, founded in August 2018 as StarCard, Inc., before  
19 changing its name first to Forte Labs, Inc., and then to Rally Network on September 9, 2019. RLY  
20 purports to be a “governance token” for the Rally Network. (“Governance” rights refers to  
21 purported voting power that investors have over the development and structure of the business,  
22 including the right to propose changes.) The Rally Network operates a number of projects built on  
23 the Rally ecosystem, including Rally.io—a supposed “platform for creators and their communities  
24 to build their own independent digital economies by enabling creators, artists, celebrities,  
25 communities and brands to launch their own social tokens and NFTs.”  
26

1           124. Between December 31, 2020 and March 18, 2021, the Rally Network began a  
2 “community treasury fundraise [sic]” in which it claims to have sold 196,300,538 RLY tokens for  
3 total proceeds equaling approximately \$34,828,450 in another crypto asset. Between April 1 and 3,  
4 2021, Rally and a partner conducted a public sale of RLY tokens, which RLY claims were to only  
5 non-U.S. persons, with no restrictions on resales to U.S. persons, raising an additional \$22 million.  
6 In total, according to an April 28, 2021 Medium article, Rally raised \$57 million to fund  
7 “community driven growth” of the Rally Network. The Rally Network was operational in a limited  
8 form during this offering, and it has grown since then.

10           125. *Purchasers of RLY tokens invested in a common enterprise.* Rally has made clear  
11 from the start that funds raised from investors would fund Rally’s development, while also ensuring  
12 that Rally’s management is incentivized to make RLY more valuable. For example:

- 14           • Rally’s white paper for RLY stated that token allocation followed a “70%  
15 community, 30% team and seed” model.
- 16           • An initial supply of 15 billion RLY tokens was minted at launch, with 15.05%  
17 allocated to Rally’s seed investors and another 13.95% allocated to Rally’s  
18 management team. “Team and seed” tokens were subject to a 4-year vesting  
19 schedule beginning at launch, with a “1 year cliff so we can’t outvote the rest of the  
20 community.” The one-year cliff has since expired.
- 22           • Rally has represented that all proceeds from RLY token sales were pooled in the  
23 “Community Treasury,” which “was designed to power the development and realize  
24 the potential of the Rally Network. . . [A] larger pool in the treasury will enable the  
25 community to significantly scale the Rally Network and empower the community to  
26 effectuate even more development and engagement, including, for example,



1 engaging developers to build the never-been-done-before ideas that the community  
2 comes up with.”

- 3 • Rally has stated that the Community Treasury has allocated a portion of the proceeds  
4 to funding and expanding the management team. Rally’s white paper advised  
5 investors that “the budgets for the RLY Network Association & \$RLY Ecosystem  
6 DAO will cover the operation costs plus the hiring and onboarding of new team  
7 members and experts to achieve their respective end goals.”
- 8 • In an April 28, 2021 post on Medium, Rally stated that “[p]roceeds from these  
9 community-approved sales of RLY flow to the Rally community treasury, which is  
10 governed by the community and spent through community-led governance proposals  
11 designed to better the Rally Network.”

12  
13  
14 126. *Investors in RLY had a reasonable expectation of profits based on the efforts of*  
15 *others.* Rally claimed that RLY token holders would necessarily benefit from Rally’s growth. In  
16 the RLY white paper, Rally stated: “Tokenomics play a fundamentally important role in the success  
17 or failure of a crypto project. In essence, good tokenomics align the incentives of all participants of  
18 a token economy. These incentives are built into the protocol and will function as such in  
19 perpetuity thereby guaranteeing the protocol’s future.”

20  
21 127. Rally leadership has also promoted RLY’s availability on the secondary market, as  
22 well as its liquidity. For example:

- 23 • On July 21, 2021, Rally announced that “[o]ver the past two weeks, [multiple  
24 secondary trading platforms, including Coinbase] have all enabled \$RLY trading.”

25 Rally noted that anyone with accounts on these platforms could thus “easily purchase  
26 \$RLY using either crypto, a credit/debit card, or bank account and begin

1 participating in the \$RLY community today,” and could “in most jurisdictions ...  
2 convert their \$RLY to US Dollars.”

- 3 • On February 1, 2022, Rally said it was “excited to announce that \$RLY is now  
4 supported on [a trading platform],” which allowed for “buying, selling, storing, and  
5 earning digital assets.”
- 6 • Rally also applied to Coinbase to have RLY listed.

7  
8 128. Rally promoted its management team’s background and qualifications in the RLY  
9 white paper and continues to do so in its Wiki. Rally also made clear in the white paper that  
10 proceeds from the sale of RLY would be used to expand the centralized management team: “The  
11 budgets for the RLY Network Association & \$RLY Ecosystem DAO will cover the operation costs  
12 plus the hiring and onboarding of new team members and experts to achieve their respective end  
13 goals.”

14  
15 129. Rally has continued to emphasize the central role its management plays in RLY’s  
16 success. For example:

- 17 • On September 2, 2022, Rally’s official blog highlighted additions to the leadership  
18 team and their credentials, including their past positions and expertise.
- 19 • Rally management has regularly engaged with industry publications to promote  
20 personnel developments. For example, in August 2021, a trade publication reported  
21 that Rally had named a CEO and “the project has raised \$50 million in a token sale  
22 conducted by its community. . . . Rally also announced other new hires,” touting their  
23 experience.  
24

25 130. Rally’s own statements on its website acknowledge a high degree of centralization:  
26 “At Rally, we do not require or run an open network, meaning only a handful of computers

1 (equivalent to a public cloud) are needed to complete our transactions. . . . The key tradeoff is  
2 centralization. . . . While some will argue this does not reflect the fully decentralized mission of true  
3 blockchain, we believe that creators and fans are willing to make this tradeoff for an  
4 environmentally friendly, regulatorily [sic] compliant, and user-friendly experience.”

5  
6 131. RLY can be bought and sold for fiat currency or other crypto assets on numerous  
7 secondary trading platforms. Its price has fluctuated from approximately \$0.68 in December 2020  
8 to as high as \$1.37 in April 2021 – approximately a 100% return.

9 **C. DDX**

10 132. DDX is a token issued on the Ethereum blockchain, associated with the DerivaDEX  
11 protocol, offered in or about July 2020 by DerivaDEX and its agents (together, “DerivaDEX”).  
12 DerivaDEX purports to be an exchange for derivatives contracts. DerivaDEX claims on its website  
13 that the DDX token is a so-called “governance” token for DDX, that is “also used for fee reductions  
14 and staking opportunities.”  
15

16 133. The DerivaDEX protocol is under development by DEX Labs, Inc. (f/k/a  
17 DerivaDEX, Inc.), a Delaware corporation purportedly providing software development services, as  
18 well as by a Panama-based foundation called the DerivaDEX Foundation and a British Virgin  
19 Islands-based operating entity called the DerivaDAO.  
20

21 134. The DerivaDEX protocol is not and has never been operational.

22 135. According to DerivaDEX, the protocol has a supply of 100 million tokens, half of  
23 which are “emitted.” The remaining 50 million tokens serve as the “liquidity mining supply,” to be  
24 released over the next 10 years. In or about July 2020, DerivaDEX announced that it had raised  
25 \$2.7 million over two rounds of fundraising. Investors received over 15.3 million tokens,  
26 representing approximately 30.7% of the initial token supply. Advisers received 660,000 tokens,

1 representing approximately 1.3% of the initial token supply. DerivaDEX has retained the remaining  
2 34 million tokens. In a December 2020 Medium post titled “DerivaDEX Token Economics,”  
3 DerivaDEX explained that 21 million tokens in DerivaDEX’s supply “are unlocked upon network  
4 launch” and can be utilized “at any time.”

5  
6 136. *Purchasers of DDX tokens invested in a common enterprise.* DerivaDEX has  
7 represented that funds raised by token sales would be directed in large part towards making  
8 DerivaDEX operational, although it still is not. For example, in the December 2020 Medium post,  
9 DerivaDEX stated that over 34 million DDX are allocated for: “funding for community initiatives,  
10 business development and partnerships, marketing, future fundraising rounds, and continued  
11 engineering development of the DerivaDEX protocol.”

12  
13 137. DerivaDEX has also stated that it has allocated another 50 million DDX tokens  
14 towards the “liquidity mining” program to facilitate trading on the trading platforms.

15  
16 138. DerivaDEX and its management team retain the vast majority of “emitted” DDX  
17 tokens, creating a common interest between management and other investors. Collectively, outside  
18 investors hold approximately 30.7% of the initial token supply.

19  
20 139. *Investors in DDX had a reasonable expectation of profits based on the efforts of*  
21 *others.* In July 2020, DerivaDEX touted a “series of incentivized opportunities that will be made  
22 available for early partners, including . . . insurance mining, and other opportunities to get early  
23 access to the exchange product and affiliate referral program.”

24  
25 140. DerivaDEX further described the insurance mining program, stating that investors  
26 would have the ability to earn more DDX by “staking” DDX to a DerivaDEX “insurance fund.” In  
other words, investors would essentially contribute their DDX tokens to the fund, creating liquidity  
that could be used to insure parties if a transaction fails. As the insurance pool grows and earns

1 fees, participants who staked their DDX may receive additional DDX tokens and thereby greater  
2 opportunities to profit.

3 141. DerivaDEX has also sought to attract investors by noting that DDX tokens can soon  
4 be traded on secondary platforms. For example, in tweets beginning in June 2021, DerivaDEX and  
5 DEX Labs touted when DDX became available for custody at various trading platforms including  
6 Coinbase. DerivaDEX has also published an article that stated in part “Its been a huge week for  
7 DerivaDEX [...] as DDX custody offerings coming live at both [trading platforms],” and retweeting  
8 Coinbase’s listing announcement. DEX Labs also retweeted the announcement, as did  
9 DerivaDEX’s product lead, stating, “big hecking week for us @DEXLabs1[.]” DerivaDEX also  
10 applied for DDX to be listed on Coinbase.  
11

12 142. The central management team at DerivaDEX retains most of the DDX tokens for  
13 purposes of “funding for community initiatives, business development and partnerships, marketing,  
14 future fundraising rounds, and continued engineering development of the DerivaDEX protocol.”  
15

16 143. Indeed, DerivaDex is still not fully operational, and DEX Labs continues to develop  
17 DerivaDEX, which is in beta. DerivaDEX has posted an audio recording featuring the CEO and the  
18 product lead discussing development plans that have no firm timeline. The product lead has  
19 described the following plans: (1) developing a feature that allows movement from one release  
20 version to another (described as “pretty critical”) (2) implementing any recommendations of a third  
21 party software audit; and (3) implementing “fail safe” parameter limitations.  
22

23 144. All of the development plans that DerivaDEX has described depend entirely on the  
24 efforts of its management team and the affiliated entities.  
25  
26

1 145. DDX can be bought and sold for fiat currency or other crypto assets on numerous  
2 secondary trading platforms. Its price has fluctuated from \$3.29 in December 2020 to as high as  
3 \$13.31 in August 2021, approximately a 300% return.

4 **D. XYO**

5 146. XYO is an Ethereum-based token that was created by XY Labs, Inc. (“XY”). XY  
6 was originally organized as a Delaware limited liability company in June 2012 under the name  
7 Ength Degree LLC. The company became a corporation in May 2016, and underwent several name  
8 changes before assuming its current name in May 2021. XY’s Chief Executive Officer has served  
9 in that role since June 2012, and has served as Chairman of XY’s Board of Directors since May  
10 2016.  
11

12 147. XY purports to operate a crypto-location and data blockchain network of devices that  
13 anonymously collects and validates geographic data (the “XYO Network”). XYO tokens  
14 purportedly can be used to pay for data location queries and to the network participants who answer  
15 those queries. In an online post, XY explained that the tokens “are essentially the gas that allows  
16 people or companies to ask the Network queries (like, did my shipment arrive?) and the XYO  
17 tokens they pay to ask the question get awarded to those who help create the answer!”  
18

19 148. XY and its founders conducted an initial coin offering (ICO) from on or about March  
20 20, 2018 until May 20, 2018, raising approximately \$12 million. The ICO had a tiered pricing  
21 structure, with a starting price of approximately \$0.005 for 1 XYO token. XY fixed the supply of  
22 XYO tokens and capped the total supply of tokens at 13.96 billion. XY explained that, after the  
23 ICO, it would burn any unsold and unallocated tokens.  
24

25 149. *Purchasers of XY tokens invested in a common enterprise.* XY and its founders  
26 described how they would use funds raised during the ICO to build the XYO Network. While the

1 XYO Network was purportedly operational in a limited form during this offering, it has grown  
2 significantly since then. In a February 2018 post, shortly before the ICO, XY provided a  
3 “Roadmap” with target dates for XY’s plans to develop the business. For example, one goal  
4 targeted for the latter half of 2018 was for XY to “issue a complete roll out of the XYO Network  
5 ...” Another goal, slated for 2019, was for XY to “onboard larger businesses, organizations and  
6 retail companies that have use-cases for location verification.” A third goal, slated for 2020 and  
7 beyond, was for “XY to expand the Global Reach of entire XYO Network.”

9 150. In a May 2018 update, XY’s co-founder and Chief Marketing Officer outlined the  
10 priorities that XY would undertake, following the completed ICO, to “create an ecosystem”  
11 attractive to both those that paid for the data location queries and those that answered the queries.  
12 These priorities included building a team of “blockchain diehards,” expanding the XYO network  
13 via major partnerships, and developing an “XYO App.” XY’s co-founder emphasized that,  
14 following the ICO, the XY team would “remain laser-focused on developing the technology and  
15 ecosystem of the XYO Network.” The ICO proceeds would supposedly be allocated to further “the  
16 long-term development goals of the XYO Network,” with 40% of proceeds to “XYO Network  
17 Growth & Marketing Strategic Partnership,” 35% to “Engineering & R&D,” and the remaining 15%  
18 to operations, overhead, and supporting platform projects.

20 151. *Investors in XY had a reasonable expectation of profits based on the efforts of others.*  
21 XY has repeatedly emphasized to investors the opportunities for profit from XYO, including  
22 highlighting the availability of secondary markets. For example:  
23

- 24 • As XY explained in the XYO white paper and a February 2018 Medium post, to  
25 increase the value of the XYO token, XY has permanently fixed the number of XYO  
26 tokens, which are required to use XY’s business. XY claimed that the success of this

1 ecosystem will, in turn, expand XY’s user base, thus continuing to create demand for  
2 XYO tokens. XY has consistently touted the growth of its user base.

- 3
- 4 • In a December 2018 post titled “XYO Token FAQ,” XY noted: “Some folks just  
5 want to buy XYO Tokens to see if they can make a profit from trading.” XY  
6 claimed that was “not the intended purpose of an XYO token,” but immediately  
7 followed that claim by stating that trading in the tokens by purchasers hoping to  
8 make a profit was “incredibly common” and “you’re completely allowed to simply  
9 buy XYO Tokens and hope that the price increases, so you can sell for a profit.”
  - 10 • In that same post, XY directed potential investors to an internet site that listed all of  
11 the secondary markets on which XYO could be traded. XY also tried to facilitate  
12 those listings. For example, XY applied twice for XYO to be listed on one U.S.-  
13 based secondary trading platform: first on October 8, 2018, and again on January 5,  
14 2022. In addition, XY applied for XYO to be listed on Coinbase
  - 15 • XY and its founders touted that XY would take action to limit XYO availability,  
16 announcing in May 2019 that “[u]p to ~ 3.2 Billion of XYO Will Be Burned,  
17 Dracarys Style. Token burning events are typically very good news for current  
18 HODL’ers. It reduces supply; which, in theory, should help create a healthier token  
19 economy for XYO.”  
20  
21

22 152. XY and its founders have continued to promote XYO’s value as an investment, both  
23 in connection with its role at XY and as a token that can be traded on the secondary markets. For  
24 example:

- 25
- 26 • XY has obtained listings for XYO on multiple trading platforms and publicized those  
listings via social media channels. For example, in a November 10, 2021 post, XY



1 publicized new XYO listings on “one of the largest and most prominent  
2 cryptocurrency exchanges in the world.”

- 3
- 4 • As recently as March 2022, XY has continued to promote its new listings, posting:  
5 “We had several new token listings this month. . . which is pretty cool if you ask us.  
6 We’re adding new exchanges all the time, so keep an eye out for your favorite  
7 exchange as XYO continues to expand with no signs of slowing down.”
  - 8 • In 2021, XY listed on its website the secondary trading platforms where XYO could  
9 be traded, and as of July 2022 stated on its front page that, “[i]n 2021 alone, the  
10 XYO Token grew in value by over 30,000%.”

11 153. During the offering, and continuing thereafter, XY and its founders emphasized their  
12 own importance to XY’s future success and the actions they would take to drive XYO Network and  
13 XYO success. For example, in a February 2018 post, just before the ICO, XY touted its team of  
14 “seasoned engineers, business development professionals and marketing experts.” The post profiled  
15 the experience and accomplishments of XY’s co-founders. In multiple posts in 2018 and 2019, the  
16 founders discussed their work and plans, including the need for a new XYO network version, the  
17 development of an app, the listing of XYO on new secondary markets, and partnerships to increase  
18 XYO Network offerings.  
19

20 154. XY’s day-to-day operations and Board of Directors are run by a centralized  
21 leadership group that include two of XY’s three co-founders. Following the ICO, XY’s founders  
22 and associated persons held a substantial percentage of circulating XYO tokens. XY has  
23 represented that, in April 2019, “15-50% [of the XYO token] is held by the founding team.” As of  
24 December 31, 2018, XY and its founders maintained control of more than 7.44 billion XYO tokens  
25  
26

1 – more than 50% of the total, fixed supply of XYO tokens. In April 2019, XY has represented that  
2 “15-50% [of the XYO token] is held by the founding team.”

3 155. XYO can be bought and sold for fiat currency or other crypto assets on numerous  
4 secondary trading platforms. At the end of the ICO in May 2018, the price of XYO was  
5 approximately \$0.0055. Before Coinbase’s listing announcement on September 8, 2021, the price  
6 of XYO was approximately \$0.017 – a more than 200% increase. On the day after Coinbase’s  
7 announcement, XYO’s price rose to approximately \$0.033, nearly doubling in one day.  
8

9 ***E. RGT***

10 156. RGT is an ERC-20 token issued on the Ethereum blockchain. In or about July 2020,  
11 it was announced and, in December 2020, originally minted by Rari Capital and its agents (together,  
12 “Rari”). Rari Capital is incorporated in Delaware and was started in California by two California  
13 residents and one Texas resident (the “Rari Founders”). Rari states that it is a “yield-maximizing  
14 robo-advisor” that allows users to earn RGT that can be traded on the secondary market, used for  
15 fee discounts and to confer governance rights in Rari Capital.  
16

17 157. Beginning in or around July 2020, the Rari Founders raised funds via a so-called  
18 private sale of RGT in their invite-only “Launch Partner Program,” and by providing investors in  
19 RGT with the continued ability to purchase or earn RGT through “programs” the Rari Founders  
20 offered with various terms. Investors also earned RGT by providing developmental or other  
21 services to Rari. Rari was not fully operational until December 4, 2020.  
22

23 158. From July 2020 through the present, Rari has minted at least 12.5 million RGT worth  
24 approximately \$100 million, with the intention to mint 7.5 million more RGT in the future. As of  
25 June 2022, 99.8% of all RGT intended for distribution has been claimed.  
26

1 159. In or around December 17, 2020, Rari’s CEO proposed the minting of additional  
2 RGT under Rari’s Liquidity Initiatives Program. The proposal, which passed with a majority vote  
3 held by the CEO, allocated 2 million RGT to the “Rari Capital team to continue as a lead developer  
4 of the protocol,” where the “Rari Capital team is expected to continue their work on various fronts:  
5 creating new strategies, pushing governance forward and accruing value towards the ecosystem.”  
6

7 160. *Purchasers of RGT tokens invested in a common enterprise.* The majority of the  
8 funds raised from RGT investors were pooled to raise capital and develop the Rari protocol,  
9 including through payments to the Rari Founders and other Rari “contributors” working to improve  
10 the protocol, as reflected in the statements described above regarding the July and December 2020  
11 sales. During late 2020 and early 2021, Rari social media posts and website and a white paper  
12 advertised that the funds raised from the liquidity mining program would go towards, among other  
13 things, developing additional Rari products and the Rari protocol.  
14

15 161. Rari has continued to use funds raised by selling RGT to pay Rari’s management  
16 team and developers. For example, Rari’s CEO wrote in a July 6, 2021 post on Medium that paying  
17 contributors in RGT was Rari’s “only way to stay competitive. Each dollar spent on salary should  
18 be providing exponential returns on the product.”  
19

20 162. Rari has also stated its intent to pool RGT investor assets in liquidity pools, pursuant  
21 to its Liquidity Initiatives Program. For example, as Rari’s CEO explained in a December 19, 2020  
22 Medium post, “the [Liquidity Initiatives] program will be built to increase liquidity of the Rari  
23 Tokens and further incentivize deposits within the platform.”

24 163. At the time of the initial offering and December 2020 sales, the Rari business was  
25 not fully operational. Rari repeatedly made clear that funds from RGT investors were Rari’s  
26 primary source of funding. For example, on December 20, 2020, Rari’s Chief Marketing Officer

1 stated on Rari’s governance page, “Most importantly, there is a large portion being given to the  
2 developer who creates the strategy as this will help attract the best talent into the protocol, as we are  
3 rewarding them the best compensation.” In the RGT white paper, Rari also stated: “The [RGT]  
4 tokens within the treasury will be used to incentivize future team members with token compensation  
5 packages but will also serve to sustain the operations of the Rari Capital organization beyond five  
6 years. These tokens will also support protocol development.”

7  
8 164. *Investors in RGT had a reasonable expectation of profits based on the efforts of*  
9 *others.* Among other things, Rari and the Rari Founders specifically pitched the RGT offering by  
10 emphasizing the opportunity for buyers to profit. For example:

- 11 • On December 20, 2020, Rari’s CMO stated that RGT investor funds will be used to  
12 pay developers because “[t]his will create a strong ecosystem around the Rari  
13 Protocol that can be later monetized. . . .”
- 14 • On December 19, 2020, the Rari CEO stated that the goal of the Liquidity Initiatives  
15 Program is to “provide exponential returns to RGT holders through smart  
16 investments and by bootstrapping future supplemental protocols.”
- 17 • Rari’s Chief Marketing Officer said in a December 20, 2020 post on Rari’s public  
18 governance Snapshot page that one goal of Rari’s founders is to avoid RGT “price  
19 dilution” and to “invest the protocol’s holdings in an intelligent way that will be used  
20 to indirectly accrue value toward the RGT.”
- 21 • In its Rari Capital White paper, Rari suggested RGT buyers may eventually earn  
22 dividends by “vot[ing] to re-distribute fees to the [RGT] token holders which would  
23 allow it to easily accumulate value. There is a possibility of this happening once the  
24 protocol becomes more mature...”  
25  
26

- 1 • Rari stated on their homepage: “The more money you make, the more money we
- 2 make. We want you to win and our algorithms make sure that you do.”
- 3 • Rari has touted the importance of its decision to limit the number of tokens. Rari
- 4 explained in a Medium post in October 2020 that there would be only 10 million
- 5 RGT tokens – although RGT token holders could vote to expand that number.
- 6 • In an October 2020 Medium post, Rari explained that 70% of Rari’s profits would be
- 7 used to “burn” and buyback RGT tokens.
- 8 • Rari also highlighted the fact that RGT trades on secondary markets. Rari informed
- 9 investors in October 2020 that RGT could be “purchased from several exchanges.”
- 10
- 11

12 165. Rari knows that one of the primary attractions of RGT tokens for investors is that

13 their market price may appreciate in value. For example, in the October 2020 post on Medium,

14 Rari’s CEO wrote that RGT’s vesting schedule “[e]nsures there is not too much sell-side pressure

15 on the market at any one time.” Further, Rari provides a real-time market and trading value for

16 RGT on its website, while RGT’s price is displayed on Rari’s dashboard and governance page. In

17 public posts, Rari ascribes a monetary value to RGT.

18 166. Rari has often referred to participation in the RGT buying programs as an

19 “investment” and “fundraising,” and RGT holders as “shareholders.” For example, in the October

20 2020 Medium post, the CEO explained that RGT has a vesting schedule that “ensur[es] shareholder

21 recipients are aligned with the company before receiving shares.” Further, in connection with the

22 program to provide RGT to investors that provide liquidity for Rari’s trading pools, Rari’s CEO

23 stated in an October 23, 2020 email to a potential venture fund investor, that “[S]ince liquidity

24 mining is difficult to structure in traditional VC, we can connect with you a partner who can

25 delegate capital to, making it an easy investment.”

26

1           167. Moreover, Rari and the Rari Founders have continued to work to create secondary  
2 market trading opportunities for RGT owners. Rari has stated on its website that RGT are available  
3 for purchase on several secondary trading platforms. From approximately December 2020 through  
4 February 2021, Rari submitted listing applications for RGT to multiple secondary trading platforms  
5 requesting that the companies list RGT and allow RGT to trade on their systems. For example,  
6 Rari’s CEO and CMO sent several communications via Twitter and email to multiple secondary  
7 trading platforms including, but not limited to, Coinbase. Rari also created a an initiative directly  
8 with another secondary trading platform, which it called “Pool2” by allowing users to stake both  
9 RGT and ETH on that trading platform in an “RGT-ETH” pool. By doing so, users can earn fees  
10 and additional RGT.  
11

12           168. Rari and the Rari Founders continue to have controlling roles in the business and to  
13 provide work and leadership essential to profitability for investors. For example:  
14

- 15           • The Rari founders refer to themselves as the “lead developer” of the protocol and  
16           that they maintain and alter the algorithms that drive the investing services that Rari  
17           offers to customers, smart contracts and security keys for the Rari protocol.
  - 18           • In December 2020, Rari submitted an RGT listing application to a secondary trading  
19           platform stating that changes to the Rari protocol cannot be made without the  
20           founding team’s consent, and that the public views a “single, unified team as in  
21           charge” of Rari.
  - 22           • In a Medium post, the CEO referred to the founders as the “Core Team,” and on or  
23           around August 2021, Rari created centralized “task forces which created teams  
24           focused on improving the Rari protocol . . . responsible for guiding the ship and  
25
- 26

1 steering high level objectives on what Rari should prioritize and pursue.” Each  
2 taskforce had at least one Rari Founding Team member.

- 3 • A majority of Rari’s managerial and substantive decisions – such as decisions on  
4 fees, mergers, and key opportunities for the business – are sought and proposed by  
5 the Rari Founders, who typically account for the largest vote.  
6

7 169. The Rari Founders continue to exercise practical control of Rari in other ways, as  
8 well. For example, on both occasions where Rari has minted RGT tokens, the Rari Founders  
9 proposed the minting and represented a majority of the vote.

10 170. In communications with secondary trading platforms, the Rari Founders have made  
11 clear that they play a central role in deciding governance issues, code updates, and how third parties  
12 participate in the validation of transactions that occur via the Rari protocol. They also determine the  
13 trading platforms on which RGT trades.  
14

15 171. RGT can be bought and sold for fiat currency or other crypto assets on numerous  
16 secondary trading platforms. Its price has fluctuated from approximately \$0.78 in December 2020  
17 to as high as \$50.03 in November 2021, approximately a 6,300% return.

18 ***F. LCX***

19 172. The Liechtenstein Cryptoassets Exchange (“The LCX”) operates a number of crypto-  
20 related services, including a crypto asset trading platform, and a trading terminal. The LCX  
21 explains on its website that its LCX token is the only way to pay for certain services The LCX  
22 offers, such as participating in a token offering event. The LCX offers a discount when using LCX  
23 tokens to pay for certain other services that it offers.  
24

25 173. The LCX held an offering in September 2019 for 100 million tokens, priced at \$0.06.  
26 (Its price would later rise to \$0.48 in November 2021, approximately a 700% return.) In the period

1 since the offering, LCX has burned 50 million tokens to limit supply. At the time of the offering,  
2 the trading platform was operational, although management has continued to develop other features.

3         174. *Purchasers of LCX tokens invested in a common enterprise.* The LCX emphasizes  
4 that purchasing LCX is an opportunity to participate in a growing platform. On October 3, 2019,  
5 The LCX posted interviews of the CEO to Twitter, encouraging users to learn about how The LCX  
6 is “building a #blockchain ecosystem.” The LCX’s website states that the “LCX Token is your  
7 chance to be a part of LCX’s vision to bridge the gap between traditional finance and the new  
8 monetary world powered by blockchain and cryptocurrencies.” Similarly, in the October 2019  
9 “LCX Vision Paper,” The LCX explained that public offerings were a way for new enterprises to  
10 raise money for development: “Initial Coin Offerings . . . are the first hints at this disruption,  
11 providing public market liquidity and democratizing early stage venture capital.”  
12

13         175. LCX also claims that, through the LCX token, the interests of investors and  
14 management are aligned. In multiple locations on its website, including postings titled “LCX  
15 Token Key Facts,” and “LCX Token – Company Reserve,” The LCX explains that it owns 10.5%  
16 of the LCX token supply, and that The LCX “team” and advisors hold tokens as well. It further  
17 explains that tokens held by the “team” and advisors vested over a 36-month period, and that tokens  
18 in The LCX reserve cannot be accessed until 2023.  
19

20         176. *Investors in LCX had a reasonable expectation of profits based on the efforts of*  
21 *others.* The LCX has emphasized that as its platform expands in terms of both users and services,  
22 LCX will appreciate in value, particularly because there are a finite number of LCX tokens. For  
23 example, in a September 13, 2019 tweet, The LCX claimed “[t]his could be a once in a lifetime  
24 opportunity to be part of something big, something revolutionary. [rocket emoji] Don’t let this be  
25 the one that gets away. [bullhorn emoji] Our #IEO is officially live . . .”  
26



1           177. In a January 24, 2021 posting on the LCX website titled “LCX Token Key Facts,”  
2 The LCX stated that it had burned 50 million tokens between 2019 and 2020 in five token burns.  
3 Elsewhere on its website, The LCX explains that coin burns theoretically increase a token’s value  
4 because “when the total supply of coins in circulation is intentionally decreased, the prices of tokens  
5 and coins are increased and further stabilized.” The LCX website page dedicated to the LCX token  
6 also shows the token’s current secondary market information, including rank, price, and trading  
7 volume.  
8

9           178. The LCX has also continued to take steps that underscore the profit potential of LCX  
10 for investors, particularly in trading on secondary markets. For example:

- 11           • The LCX promotes LCX as a way to make outsized returns through trading on  
12 secondary markets. For example, on October 26, 2021, in a reference to its own  
13 crypto asset security, The LCX tweeted: “Which #crypto will 10x in the next 3-6  
14 months?”
- 15           • In June 2022 tweets, The LCX has repeatedly encouraged investors to acquire LCX  
16 on secondary platforms because the token is likely to appreciate. The LCX has  
17 sought to facilitate that trading by, for example, applying on September 25, 2019 to  
18 have LCX listed on a U.S.-based secondary trading platform. The LCX also applied  
19 to have LCX listed on Coinbase.  
20
- 21           • Between 2019 and 2022, The LCX Insights articles have announced LCX’s listing  
22 on over 15 secondary trading platforms. For example, after LCX was listed on  
23 Coinbase, The LCX posted documents on its website in November and December  
24 2021 that, among other claims, said that LCX “hit an all-time high of \$0.7048” and  
25 that trading volume grew more than 1000%.  
26

- 1 • In a May 2022 “Ask Me Anything” posted on its website, The LCX explained that  
2 engaging with institutional investors leads to opportunities to expand LCX trading in  
3 secondary markets. It also encouraged participants to contact trading platforms:  
4 “Maybe our community wants to ping [a trading platform] on twitter and let them  
5 know that you want LCX to be listed . . .”  
6
- 7 • In a November 12, 2020 tweet, The LCX promised to honor the market value of  
8 LCX, or a minimum value of \$.10, whichever is greater.

9 179. The LCX has emphasized the role and efforts of its managers and others to the  
10 success of the company. For example:

- 11 • The LCX is operated by a central management team that claims to be “building a  
12 financial ecosystem for crypto and fiat alike to become the new category leader in  
13 the blockchain industry.”  
14
- 15 • During a July 2022 interview, The LCX’s CEO described plans to “revamp” The  
16 LCX trading platform to include improved functionality and new features.
- 17 • Recent “Roadmaps” on The LCX’s website list various improved capabilities and  
18 offerings, eventually hoping to have “Billions of Assets under Management.”  
19
- 20 • The LCX website has a photo of its CEO pointing to an advertisement for LCX.com  
21 and LCX tokens that stated in part, “Goodbye Goldman.”

### 22 **G. POWR**

23 180. POWR is a token issued on the Ethereum blockchain, which was announced by  
24 Power Ledger Pty. Ltd. and its agents (together, “Power”) in or about July 2017, and minted in or  
25 about September 2017. Power is a corporation started in Australia by four co-founders. Power’s  
26

1 stated goal is to allow participants in energy grids to track, trace, and trade energy in real-time  
2 through a decentralized protocol. POWR tokens are required to participate in the Power platform.

3 181. Power offered POWR to buyers through an offering that had two phases. In or about  
4 August 2017, Power held a sale of 90 million POWR tokens and raised \$17 million Australian  
5 dollars. That fall, during a second “public sale” phase, Power sold an additional 260 million POWR  
6 tokens and raised approximately another \$17 million Australian dollars.

7  
8 182. At the time of the offering, Power claimed that the platform was partially operational  
9 but, as described below, the funds raised through token sales were going to enable the company to  
10 meet its developmental milestones.

11 183. *Purchasers of POWR tokens invested in a common enterprise.* Since POWR’s  
12 minting, Power has represented that investors in POWR are investing in a common effort to develop  
13 Power’s business. For example:  
14

- 15 • In an October 1, 2017 Medium post titled “Why Does Power Ledger Need Tokens?”  
16 Power explained that the token offering would accelerate the company’s rate of  
17 growth: “Token holders create a network which gives the Platform value, and in  
18 return, they receive ownership of the network.”
- 19 • In the same post, Power wrote that the goal of the token sale was to “accelerate our  
20 rate of growth” by obtaining “extra liquidity” to “fully take advantage of our first  
21 mover advantage.”
- 22 • In an October 2017 interview, one co-founder stated that POWR investor proceeds  
23 would provide a “really solid war chest to build the business” and allow Power to  
24 “broaden the applications and really make some solid inroads in peer-to-peer  
25 trading.”  
26

- 1 • In the 2017 POWR white paper, Power stated that proceeds from token sales would  
2 be used to “accelerate[] platform development” and for “beta testing” of trading  
3 applications, among other planned projects.
- 4 • In a secondary market listing application submitted in 2017, Power explained that it  
5 pooled investor funds received in exchange for POWR tokens to pay for Power’s  
6 platform development, operations, and marketing. Power also stated that the order  
7 and quantity of the projects Power can develop would directly depend on the amount  
8 of funds raised through token sales.

9  
10 184. *Investors in POWR had a reasonable expectation of profits based on the efforts of*  
11 *others.* Among other things, Power has from the start pitched POWR by emphasizing the  
12 opportunity for buyers to benefit both directly by receiving a share of POWR’s fee revenues, and  
13 from trading POWR on secondary markets. For example:  
14

- 15 • In announcing POWR’s upcoming token sale on a prominent web forum in July  
16 2017, Power responded to the question “How to buy Power ledger?” by saying: “The  
17 Power Ledger Token (POWR) will be available in our token sale that will begin in  
18 the next month or so (exact date to be determined). After that, you will be able to  
19 buy POWR tokens at popular exchanges. Stay tuned!”
- 20 • In an October 4, 2017 post on Medium, Power advertised a partnership with a crypto  
21 trading platform “to maximize the trading liquidity of POWR tokens sold as part of  
22 its successful token sale.” In this announcement, Power emphasized its goal of  
23 “mak[ing] sure that the trading environment is as attractive as possible for POWR  
24 token holders” so that traders can “buy and sell” POWR “whenever they want.”  
25  
26

- 1 • In an “Ask Me Anything” (“AMA”) thread on Reddit on October 3, 2017, Power  
2 represented that its “users will acquire a unique asset token and they will receive a  
3 portion of revenue.”
- 4 • In the October 1, 2017 “Why Does Power Ledger Need Tokens?” Medium post,  
5 Power emphasized the benefits of purchasing POWR during the ICO: “Using a token  
6 model, there is now an incentive to be an early adopter or user of the network”  
7 because “demand drivers” in the future “may increase the value of POWR” tokens.
- 8 • In a post on Medium that referenced “Maximiz[ing] Liquidity of POWR Tokens as  
9 Token Sale Concludes” dated October 4, 2017, Power stated that it “wanted to make  
10 sure that the trading environment is as attractive as possible for POWR token  
11 holders.” The post further noted that POWR’s integration with another company’s  
12 protocol “is the perfect solution because of the capability it provides for token traders  
13 to buy and sell them whenever they want.”
- 14 • To make the “trading environment . . . attractive,” Power applied on November 1,  
15 2017 to have the POWR token listed on a U.S.-based secondary trading platform.

16  
17  
18 185. As a further incentive to investors, Power has repeatedly stated that POWR investors  
19 could receive lucrative energy trading advantages.

20  
21 186. Power has continued to market POWR as an investment opportunity. For example:

- 22 • After Coinbase’s listing announcement in November 2021, Power publicized on its  
23 website: “POWR token skyrockets on Coinbase debut.”
- 24 • Power has directly linked its potential growth to POWR’s value for investors. On  
25 its website, Power explains: “Basic economics teaches us that the greater the  
26

1 demand we create for POWR tokens, the more benefit accrues for POWR token  
2 holders.”

- 3 • Power also claims that because the number of POWR tokens is finite, as the  
4 protocol grows, each token becomes more valuable. For instance, Power explains  
5 on its website that new application users must escrow a certain number of tokens,  
6 which further limit supply. As Power has said, one of its objectives is to “lock-up  
7 POWR in smart contracts and remove POWR from the circulating supply. In theory  
8 this will drive the price of POWR up, due to the principals of digital scarcity.”
- 9 • On July 2, 2021, Power retweeted one investor’s tweet: “Held POWR for four years  
10 now and I will never sell.”

11  
12 187. POWR’s white paper highlighted from the start how the experience of Power’s  
13 management team, which was “gained from decades of work in the energy industry and honed by  
14 working with our partners throughout our trials,” would help Power achieve the goal of  
15 “democratising the world’s power systems.”

16  
17 188. The white paper also emphasized that Power’s leadership and staff was responsible  
18 for the company’s development. For example, Power said that one co-founder “manages the daily  
19 operations and commercialization of Power Ledger’s technology,” while another “provides the  
20 strategic direction for conceptual, system and application design and development for Power  
21 Ledger,” and a third “provides the strategic external relations, risk management, and leadership  
22 development for Power Ledger.” The white paper explained further that other employees have  
23 various technical or administrative roles.

24  
25 189. Power has continued to tout its management’s experience and skill in guiding the  
26 company. For example, in an April 2019 Medium post, Power described its management as a

1 “Highly Competent Team” that has “immense energy and blockchain experience” and includes  
2 “energy executives,” “PhD’s in disruptive technology and Systems Theory,” and “solid blockchain”  
3 developers. Power continued: “Our most committed investors and contributors very much believe  
4 in our vision and have confidence in [Power’s] ability to achieve it.”

5  
6 190. Secondary trading platforms that are available to U.S. residents began listing POWR  
7 in October 2017. POWR tokens are now available on approximately 18 such platforms.

8 191. According to Power’s August 2017 “Token Generation Paper,” it planned to sell  
9 POWR tokens for approximately \$0.08. In the beginning of 2021, the market price of POWR was  
10 approximately \$0.096. By November 2021, even before being listed on Coinbase, it had increased  
11 to approximately \$.39, a return of approximately 300%.

12 192. On November 16, 2021, following Coinbase’s listing announcement on November  
13 15, 2021, the price of POWR rose dramatically to approximately \$0.88.

14  
15 ***H. DFX***

16 193. DFX is a token issued on the Ethereum blockchain by DFX Finance, an  
17 unincorporated business that purportedly operates Ethereum-based decentralized exchange pools for  
18 certain foreign crypto assets.

19 194. Users earn DFX tokens by adding certain foreign crypto assets to the “liquidity  
20 pools” in DFX Finance’s currency exchange program. Once the foreign crypto assets are deposited  
21 in the pool, users are awarded a liquidity pool token, which they can stake for a period of time to  
22 earn the DFX token. The DFX token incentivizes users to add foreign crypto assets to the pool,  
23 which creates the liquidity needed to facilitate the exchange.

24  
25 195. Before commencing public sales of DFX in 2021, DFX Finance represented that it  
26 raised \$5 million in pre-seed and seed financing, in which it sold 20,000,000 DFX tokens to a small

1 number of “seed” investors for between \$0.10 and \$0.40 per token, respectively. Another 15  
2 million DFX were allocated to DFX Finance’s founders, with 5% of DFX reserved for a future  
3 token sale.

4           196. DFX Finance began to offer and sell the DFX tokens to the public on February 24,  
5 2021. DFX Finance has stated that it intends to sell the total supply of 100 million DFX tokens by  
6 February 24, 2029. In its most recent post on “Liquidity Mining,” DFX Finance stated on its  
7 website that, so far, it has sold 16.7 million DFX tokens.

8           197. *Purchasers of DFX tokens invested in a common enterprise.* According to DFX  
9 Finance, the assets staked by DFX token investors are deposited in pools that facilitate the exchange  
10 of the foreign crypto assets. DFX Finance has emphasized that investors have a common interest in  
11 the liquidity pools that it operates. For example, as DFX Finance states on its website, for its  
12 exchange to function, “[w]e’ll need liquidity providers.” The purpose of the DFX token is to  
13 incentivize “liquidity providers to supply their liquidity to each of the pools powering” the  
14 exchange. In other words, without the tokens, there will be no exchange. In turn, DFX stakers can  
15 profit from fees the pool earns.

16           198. Similarly, in a July 8, 2021 post on Medium, a DFX Finance co-founder explained  
17 that the DFX token “solves a chicken and egg problem in terms of liquidity,” claiming that the  
18 issuance of the DFX token provides liquidity for the exchanges that allow users to get “in and out of  
19 transactions.” In a March 2021 Medium post, DFX Finance stated that without this liquidity, “it  
20 would be impossible to facilitate FX swaps.”

21           199. DFX Finance’s management has also indicated to investors that it has a strong  
22 interest in the DFX token’s performance as an investment. For example, DFX Finance states on its  
23  
24  
25  
26



1 website that its founders are allocated 15% of all DFX tokens, while the “Treasury” receives 20%  
2 and the “Dev Fund” 5%.

3           200. *Investors in DFX had a reasonable expectation of profits based on the efforts of*  
4 *others.* DFX Finance tells investors that DFX token holders may receive transaction fees from the  
5 exchanges DFX planned to offer. For example, in a July 2021 interview, a DFX co-founder stated  
6 that the transaction fees will eventually be “distributed back to DFX [token] holders.” As a result,  
7 the more successful the DFX protocol is, the more fees DFX token holders stand to earn. In the  
8 same interview, the co-founder explained that token holders could lease their tokens for a profit.  
9

10           201. DFX Finance also portrays the DFX token as a valuable, liquid investment. For  
11 example, it publishes DFX’s price in real time on its website, and in social media posts encourages  
12 users to purchase the tokens. In tweets in November 2021 and January 2022, DFX also explicitly  
13 pointed to the token’s “upside” and told its followers that buying DFX tokens would help investors  
14 “[b]eat the pants off inflation.”  
15

16           202. DFX Finance has also emphasized management’s efforts to enhance the success of  
17 DFX Finance and the DFX token. For example, DFX claimed in a June 30, 2022, Medium post that  
18 it’s “actively working” to get its lending program off the ground through a partnership with another  
19 business. And DFX Finance has also helped create a secondary trading market for the DFX token.  
20 In its 2021 end-of-year remarks posted to Medium on December 30, 2021, DFX Finance  
21 management announced that it would focus on, among other things, “working with centralized  
22 exchanges in the new year” to get DFX listed. In a February 2022 newsletter (posted to Medium),  
23 DFX reported that the token could soon be traded on another secondary trading platform. It advised  
24 in the same post that “[u]sers can now start depositing DFX in preparation for trading.”  
25  
26

1           203. On November 27, 2021, DFX Finance retweeted an account that claimed the DFX  
2 token had valuable “upside” given market volatility. On January 17, 2022, DFX Finance retweeted  
3 an account that advised buying \$250,000 worth of DFX tokens and using additional funds to add  
4 liquidity to DFX’s pools.

5           204. DFX Finance is operated by a central management group, which was responsible for  
6 developing and operationalizing DFX’s foreign exchange platform. A DFX co-founder said in an  
7 “Ask Me Anything” event, posted to YouTube on July 16, 2021, that token holders can make only  
8 “marginal” improvements through governance.

9           205. Additionally, while token holders can vote on the crypto assets to be included for  
10 exchange in the protocol, DFX management is ultimately responsible for targeting and reviewing  
11 potential tokens for onboarding. In a February 2021 post on Medium titled “Introducing DFX,”  
12 DFX Finance stated that management was responsible for key operational tasks such as ensuring  
13 that all on-boarded foreign crypto assets have licenses, banking relationships, and a secure peg to  
14 their national currency.

15           206. In June 2021 and 2022 Medium posts, DFX Finance referred to its “business  
16 development team” and the need to hire additional engineers. In a June 2022 Medium post, DFX  
17 Finance said that the “business development team have been hard at work showing what DFX is  
18 constantly/consistently bringing to market and all the massive changes to decentralized forex we  
19 can provide! We are also actively engaged with numerous different exchanges but they come  
20 secondary to the core mission and products we are offering. DFX is not a ‘to the wayside’ protocol,  
21 we are here to stay and will continue to build out our ecosystem for the world to use. 🌐”  
22  
23  
24  
25  
26

1 207. DFX can be bought and sold for fiat currency or other crypto assets on numerous  
2 secondary trading platforms. Its price has fluctuated from approximately \$0.31 in August 2021 to  
3 as high as approximately \$2.71 in April 2022, more than a 700% return.

4 ***I. KROM***

5 208. KROM is an ERC-20 token issued on the Ethereum blockchain and first offered for  
6 sale in late 2021 by Kromatika Finance and its agents (together, “Kromatika”). Kromatika is an  
7 unincorporated business started by two developers, identified on Kromatika’s website only by one-  
8 word pseudonyms, who purportedly continue to manage the project as “core developers.” It  
9 purports to operate a platform that allows traders to efficiently trade crypto assets by placing range  
10 orders on trading platforms. Kromatika explains on its website that when “the market conditions  
11 match your order, Kromatika DEX will execute the trade automatically.”  
12

13 209. According to Kromatika, the KROM token is how participants pay the service fee to  
14 Kromatika for “all Kromatika DEX swaps.”  
15

16 210. Kromatika offered 100 million KROM for sale via a purported “fair launch,” where  
17 the tokens were made available to anyone for the same price. It offered 60 million KROM on  
18 November 15, 2021, for a price of 0.000001 ETH per token via a secondary trading platform.  
19 Twenty million KROM tokens were made available on two other secondary trading platforms  
20 shortly thereafter for the same price.  
21

22 211. *Purchasers of KROM tokens invested in a common enterprise.* At the time of the  
23 offering, Kromatika explained in its online “Flowchart” that funds raised from KROM sales would  
24 be used, in part, to develop and maintain the Kromatika platform, which did not yet exist in a fully  
25 functional, publicly available form. And according to Kromatika, in addition to the tokens offered  
26 to investors through the fair launch and via secondary trading platforms, 20 million KROM are held

1 in a safe wallet and used solely for project funding. Kromatika implies that this aligns the interests  
2 of management and investors by securing their commitment to Kromatika’s success.

3           212. The fortunes of investors and participants that purchased KROM are also linked to  
4 KROM’s management. Kromatika has recently announced that it locked 12 million KROM in a  
5 crypto storage vault to “show our commitment to the project.”  
6

7           213. *Investors in KROM had a reasonable expectation of profits based on the efforts of*  
8 *others.* Kromatika pitched the KROM offering by emphasizing the opportunity for buyers to profit.  
9 For example:

- 10           • KROM claimed it would enable buyers to increase trading profits by avoiding swap  
11 fees, and front-running bots, among other advantages. For example, in a November  
12 2021 blog post announcing KROM for purchase, Kromatika stated that early  
13 investors in KROM would enjoy dramatic savings on service fees, since the price of  
14 KROM – which is used to pay the fees – would be expected to increase.
- 15           • As it began to sell tokens in November 2021, Kromatika repeatedly tweeted about  
16 KROM’s investment value, including its “[c]lose to 100% price increase within 24h”  
17 and the opportunity to “buy[] when low, paying [fees] when high.” Kromatika also  
18 stated in a November 17, 2021, tweet that it “expect[s] the price of \$KROM to go up  
19 to 1ETH = 850k KROM (the current is 960k KROM), so why not adding [sic]  
20 liquidity for \$KROM and earn \$ETH while the price is rising.”  
21           • In a December 19, 2021, tweet, Kromatika stated that platform users “pay[] fees in  
22 KROM token, rather than ETH, so there is a saving if the token price rises, since  
23 service fee is invers[.]”  
24  
25  
26

- 1           • A December 2021 tweet from Kromatika’s lead developer’s account noted that there  
2           is “daily [KROM trading] volume of \$41M. Not as much on the mainnet, but it is  
3           the trading chance for traders, speculators, crypto lovers etc to profit.”

4           214. Kromatika has continued to emphasize the profit opportunity for investors in  
5 KROM. For example:

- 6           • In April 2022, Kromatika launched a staking program where KROM holders can  
7           stake the token and earn a revenue share from the fees that are charged for using the  
8           Kromatika platform. Theoretically, as the platform gains users and more protocol  
9           fees are charged, holders who stake the token would earn additional revenue.  
10          • On its website, Kromatika has noted the initial price of a KROM token, as well as  
11          KROM’s much higher value during a subsequent buyback. Indeed, on November  
12          18, 2021, KROM cost \$0.0082. By April 22, 2022, it had increased to \$0.11, an  
13          increase of more than 1200%.  
14          • In a March 2022 tweet, Kromatika emphasized that KROM investors could “buy  
15          low, sell high.”

16          215. Kromatika’s founders have repeatedly emphasized their importance to the business  
17          and its success. For example:

- 18          • In a video posted to YouTube on November 25, 2021, introducing Kromatika, the  
19          founders stated, “Both of us are creators and founders of Kromatika Finance and also  
20          the token KROM.”  
21          • In a January 2022 “Ask Me Anything” and in subsequent monthly updates,  
22          Kromatika described how its management team has a central role in the ongoing  
23          development of the protocol, and provided updates on Kromatika’s “roadmap.”  
24          25  
26

- 1 • Kromatika regularly publishes blog posts, including “Dev Diaries,” that track
- 2 Kromatika’s development progress.
- 3 • Kromatika’s core developer team has participated in multiple “Ask Me Anything”
- 4 sessions with community members online to promote the purported platform’s
- 5 ongoing development.
- 6

7 216. The main developer’s Twitter feed also tweets updates on Kromatika’s development  
8 that emphasize the founders’ central role in Kromatika’s business and technical development.

9 217. KROM can be bought and sold for fiat currency or other crypto assets on numerous  
10 trading platforms.

11 **FIRST CLAIM FOR RELIEF**  
12 **Violations of Exchange Act Section 10(b) and Rule 10b-5 Thereunder**

13 1. The Commission re-alleges and incorporates by reference each and every allegation  
14 in paragraphs 1 through 217, inclusive, as if fully set forth herein.

15 2. At all relevant times, Coinbase’s policies required that company insiders maintain  
16 the confidentiality of the company’s material, nonpublic information and prohibited them from  
17 using such information to trade for their own accounts or disclosing this information to others.  
18 Ishan certified his knowledge and understanding of these restrictions on his first day at Coinbase.

19 3. Ishan, a Coinbase manager who had advanced knowledge of Coinbase’s listing  
20 announcements regarding certain crypto asset securities, misappropriated this information from  
21 Coinbase by tipping Nikhil and Ramani with material, nonpublic about the timing and content of  
22 those announcements, in violation of Coinbase’s policies and in breach of the duty of trust and  
23 confidence he owed to the company as a source of the information about the planned listings.

24 4. Ishan received a personal benefit from repeatedly communicating material,  
25 nonpublic information to his brother Nikhil as well as to his close friend Ramani, namely the  
26

1 personal benefit of providing a gift of inside information to a close relative or friend. Ishan also  
2 knew, consciously avoided knowing, or was reckless in not knowing that Nikhil and Ramani would  
3 trade on his tips.

4           5.       Nikhil and Ramani traded in certain crypto asset securities on the basis of the  
5 material, nonpublic information Ishan provided—they used the inside information he communicated  
6 in conducting their trades, and it was a significant factor in their decisions to trade. Nikhil and  
7 Ramani also knew, consciously avoided knowing, or were reckless in not knowing that the  
8 information Ishan communicated to them was both material and nonpublic. Nikhil and Ramani also  
9 knew, consciously avoided knowing, or were reckless in not knowing that the tips they received  
10 from Ishan were conveyed in breach of a duty or similar obligation arising from a relationship of  
11 trust and confidence and for a personal benefit. Indeed, both Nikhil and Ramani knew that Ishan  
12 worked at Coinbase and obtained the information he communicated to them from Coinbase. And  
13 because Nikhil and Ramani were both Ishan’s direct tippees, they were aware of the personal  
14 benefit Ishan received from communicating that information to them.  
15  
16

17           6.       Ishan, Nikhil, and Ramani all acted with an intent to deceive, manipulate, or defraud,  
18 and knew or were reckless in not knowing that their conduct was deceptive.

19           7.       Defendants, with scienter, by use of the means or instrumentalities of interstate  
20 commerce or of the mails, in connection with the purchase or sale of securities, directly or  
21 indirectly:

22                   (a)       employed devices, schemes, or artifices to defraud;

23                   (b)       made untrue statements of material fact or omitted to state material facts necessary in  
24 order to make the statements made, in light of the circumstances under which they were made, not  
25 misleading; and/or  
26

1 (c) engaged in acts, practices, or courses of business which operated or would operate as  
2 a fraud or deceit upon any person.

3 8. By reason of the actions alleged herein, Defendants violated Section 10(b) of the  
4 Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5] and unless  
5 restrained and enjoined will continue to do so.  
6

7 **PRAYER FOR RELIEF**

8 WHEREFORE, the Commission respectfully requests that the Court enter Final Judgment:

9 **I.**

10 Finding that Defendants violated the provisions of the federal securities laws as alleged  
11 herein;

12 **II.**

13 Permanently restraining and enjoining Defendants from, directly or indirectly, engaging in  
14 conduct in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5  
15 thereunder [17 C.F.R. § 240.10b-5];  
16

17 **III.**

18 Ordering Defendants to pay civil penalties pursuant to Section 21A of the Exchange Act [15  
19 U.S.C. § 78u-1];  
20

21 **IV.**

22 Ordering Defendants to disgorge an amount equal to the illicit proceeds they obtained  
23 through Nikhil's and Ramani's trading pursuant to Section 21(d)(7) of the Exchange Act [15 U.S.C.  
24 § 78u(d)(7)];

25 **V.**

26 Granting such other and further relief as this Court may deem just, equitable, or necessary.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**JURY DEMAND**

The Commission demands trial by jury.

Dated: December 22, 2022

Respectfully submitted,

By: s/Daniel J. Maher  
DANIEL J. MAHER  
PETER C. LALLAS  
(Conditionally Admitted Pursuant to Local Rule 83.1)  
maherd@sec.gov  
lallasp@sec.gov  
(202) 551-4737 (Maher)  
Attorneys for Plaintiff  
SECURITIES AND EXCHANGE COMMISSION  
100 F. Street, NE  
Washington D.C. 20549