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Attorneys at Law

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SEC Conducts Coinbase User Numbers Investigation while Hacking Episode is Revealed

We reported on February 21, 2025 that Coinbase Global (NASDAQ: COIN), the leading cryptocurrency exchange and a publicly traded company with a market cap of over \$60 billion and recently added to the S&P 500, announced that the Securities and Exchange Commission ("SEC"), the U.S. securities regulator, agreed to dismiss with prejudice its case in the United States District Court for the Southern District of New York for operating an unregistered crypto exchange, broker and clearing agency and with unregistered offer and sale of securities. The move was part of the expected easing of the cryptocurrency regulatory regime under the new Trump Administration and 119th Congress. See **"Cryptocurrency and Digital Asset Regulation in the Second Trump Administration: What to Expect and How to Prepare"** (November 2024), available, with other resources, at **Kurtin PLLC Information Technologies, Blockchain & Internet**.

Now, however, a previously unreported ongoing Coinbase investigation by the SEC has come to light, initiated during the Biden administration and continued since the Trump administration started, into whether Coinbase misstated user numbers in past SEC filings, including its 2021 IPO Registration Statement, by claiming that it had over 100 million "verified" users. The investigation shows that, notwithstanding the Trump administration's deregulatory bias, the U.S. securities law and regulatory regime has not been suspended for the crypto industry, and still needs to be complied with for

cryptocurrencies and other digital assets that arguably function as securities, just as we asserted in our recent advisory **"How to Handle an Initial Coin Offering"** (April 2025), also available at **Kurtin PLLC Information Technologies, Blockchain & Internet**.

In a separate SEC filing indicating that the securities laws have not been suspended for the crypto industry, Coinbase disclosed that it had been exposed to a hacking attack aimed at obtaining customer proprietary information that could cost it up to \$400 million to resolve.

Cryptocurrency is now an over \$3.0 trillion industry, and Coinbase is a leading player in it, holding most of the \$122 billion of spot-Bitcoin exchange-traded funds. The industry's hopes for regulators to approach crypto with a deregulatory bias are not aided by two securities issues afflicting as prominent a company as Coinbase, and its demonstration that the securities laws and regulations remain in force for crypto.

Owen D. Kurtin

For additional information on our professional services, please visit our website at the link below and contact us at info@kurtinlaw.com [+.1.212.554.3373](tel:+12125543373).

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Kurtin PLLC | 575 Lexington Avenue Floor 14 | New York, NY 10022 US

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