

Disgraced OpenSea engineer arrested for insider trading

Former OpenSea product manager Nathaniel Chastain has been charged with wire fraud and money laundering in connection with an insider trading scheme. Chastain was arrested Wednesday morning in New York City and is expected to be presented in court later today.

Chastain was publicly accused of insider trading in September and fired from his position at OpenSea – but today's indictment marks the first criminal charges associated with the scheme.

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While employed at OpenSea, Chastain was responsible for deciding which NFT collections would be featured on OpenSea's front page, a distinction that typically made the collections skyrocket in value. The indictment describes a pattern of 45 token purchases on 11 different occasions. In each case, Chastain purchased NFTs shortly before they featured on OpenSea's homepage, sometimes only a matter of minutes before. According to prosecutors, Chastain sold the tokens for "between two and five times his purchase price."

"NFTs might be new, but this type of criminal scheme is not," said US Attorney for the Southern District of New York Damian Williams in a statement. "Today's charges demonstrate the commitment of this Office to stamping out insider trading – whether it occurs on the stock market or the blockchain."

As part of the indictment, Chastain is required to forfeit any money that can be traced to the proceeds of the scheme.

The investigation was led by the FBI's National Cryptocurrency Enforcement Team (NCET), apparently without the involvement of the Securities and Exchange Commission, which typically takes the lead on insider trading cases. The SEC recently doubled its cryptocurrency enforcement staffing, citing an abundance of fraud in the market.

As the largest single marketplace for NFTs, OpenSea plays a central role in both the purchasing and marketing tokens. As a result, scammers commonly impersonate OpenSea employees in order to steal tokens, and recovery of stolen goods often relies on centralized enforcement by the company.

OpenSea did not immediately respond to a request for comment.

<https://www.theverge.com/2022/6/1/23150429/opensea-insider-trading-nathaniel-chastain-arrested-homepage-nfts>