Strategic Cryptocurrency Disclosures and Insider Trading[*]

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ABSTRACT

This study investigates whether managers strategically disclose cryptocurrency-related information in 10-K filings to pursue personal financial gains. Using generative AI models, we identify speculative cryptocurrency disclosures made by firms without substantive crypto involvement. We find that insiders are significantly more likely to purchase shares prior to such disclosures, earning higher abnormal returns and trading in greater volume. These trades are more likely to be opportunistic, particularly when disclosures are highly informative, placed in Item 1 of the 10-K, or issued during periods of elevated cryptocurrency market sentiment. We also find that repeated speculative disclosures amplify investor misperception and further enhance insider profitability. Our results suggest that managers exploit investor enthusiasm for cryptocurrencies by strategically timing disclosures and insider trades, even in the absence of real crypto activity. Our findings provide novel insights into the opportunistic motivations driving strategic cryptocurrency disclosures and raise concerns about managerial opportunism and market misinterpretation.

Keywords: Cryptocurrency; Corporate Disclosure; Insider Trading; Information Asymmetry; Generative AI

JEL Codes: G14, G38, M41