

## Article Information

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Service: Blockchain, FinTech

Sector: Financial Services, IT & Telecommunications

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## **Blockchain Bites: No monkey business: Bored Ape Yacht Club hacked, Crypto Bahamas: Insights and Innovation open this week!, US DoJ charges accomplices to Ethereum developer's North Korea sanctions scheme**

**Michael Bacina and Jordan Markezic of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.**

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### **No monkey business: Bored Ape Yacht Club hacked**

Yuga Labs, the collective behind the Bored Ape Yacht Club (BAYC) NFTs, was targeted in a hacking attack via Instagram this week. Approximately USD\$3 million worth of the BAYC NFTs were stolen after a hacker seized control of the BAYC Instagram account, and subsequently sent a phishing post that followers clicked on.

Users' crypto wallets were then connected to the hacker's smart contract, enabling the hacker to steal the NFTs held within their wallets.

Blockchains are near impossible to hack, so attacks focus on theft of private keys, and often use elements of social engineering. Global security adviser at ESET - Jake Moore - [said](#):

*Unfortunately, however, this takeover has had a huge consequence and resulted in a mass robbery of digital assets. Similar to when physical art is stolen, there will be questions over how they would now be able to sell on these assets, but the problems in NFTs still prevail and users must remain extremely cautious of this still very new technology.*

Earlier this month, a user - referred to as s27 - lost roughly \$500,000 worth of BAYC NFTs as a result of a [similar scam](#). In that case, s27 was induced into entering into transactions to 'swap' his legitimate BAYC NFTs for 'new' versions of those NFTs with a false verification sticker on them.

Representatives from Yuga Labs were quick to respond, saying:

*Yuga Labs and Instagram are currently investigating how the hacker was able to gain access to the account. Two-factor authentication was enabled and the security practices surrounding the IG account were tight.*

This is a timely reminder for NFT holders to remain vigilant and aware of the increasingly creative ways malicious actors are trying to steal crypto assets.

The best cure is always prevention, checking URLs to ensure they are legitimate, and researching any offers or which seem like a time limited deal or something too good to be true.

### **Crypto Bahamas: Insights and Innovation open this week!**

This week, [the Bahamas played host to the Crypto Bahamas event](#) which is a joint effort co-organised by FTX CEO Sam

Bankman-Fried and the SALT strategic think tank.

The Bahamian Prime Minister, Philip Davis, opened his Crypto Bahamas conference remarks saying:

*We have the vision to transform the Bahamas into the leading digital asset hub in the Caribbean*

[Davis went onto remark that:](#)

*Remember, change is certain, progress is not.*

The Crypto Bahamas conference will see high-profile speakers such as former US President, Bill Clinton, former UK Prime Minister, Tony Blair, and FTX ambassador and seven-time superbowl winner Tom Brady. The government of the Bahamas also published a white paper shortly before the event that outlined their digital asset strategy for the next four years. The white paper was drafted in with intergovernmental organisations such as the G20, Bank for International Settlements, and the Organisation for Economic Cooperation and Development in mind. Part of the Bahamas' strategy involves allowing residents to pay tax using digital assets. Allowing residents to pay taxes in crypto-assets is a trend that has been adopted in places such as [Lugano in Switzerland](#) and [El Salvador](#). The plan also allows authorities to work closely with financial regulators and the private sector to increase adoption of the Sand Dollar (the Bahamian dollar central bank digital currency which is live now).

### **For mining out loud: New York State Legislature passes bill blocking non-renewable crypto mines**

The New York Legislative Assembly has recently passed [Bill A7389C](#) that imposes a two-year moratorium on crypto mining firms that utilise carbon-based energy sources. The Bill arises out of, and reflects, the emerging concerns that crypto-mining processes have on the environment. Crypto-market leaders are in opposition to the Bill, arguing that it could potentially lead to miners relocating and [negatively impacting domestic US jobs are geopolitical interests](#).

Those who supported the bill noted that the Bill was not retrospective – in other words, those facilities that were in place prior to the Bill would not be impacted by it. However, the New York Department of Energy (**NYDoE**) is nevertheless required to ban renewals for existing permits for cryptocurrency mining facilities where the applicant is understood to be growing its position.

The Bill states that the NYDoE:

*shall not approve a new application for or issue a new permit... for an electric generating facility that uses a carbon-based fuel and that provides, in whole or in part, behind-the-meter electric energy consumed or utilized by cryptocurrency mining operations that use proof-of-work authentication methods to validate blockchain transactions.*

The Bill also mandates that a 'generic environmental impact statement' evaluating proof-of-work mining and mining facilities in New York be evaluated.

The environmental impacts of crypto-mining were also of concern to the Australian Senate Inquiry into Australia as a Technology and Finance Centre in 2021. The Committee [recommended that:](#)

*the Australian Government amend relevant legislation so that businesses undertaking digital asset 'mining' and related activities in Australia receive a company tax discount of 10 per cent if they source their own renewable energy for these activities.*

This recommendation was not taken up by the Treasurer and so is unlikely to ever be made into law. Miners will need to keep making their own way in Australia and finding solutions to use renewable energy without help from Uncle Skippy.

### **US DoJ charges accomplices to Ethereum developer's North Korea sanctions scheme**

The US Department of Justice (**DOJ**) has brought charges against two European citizens alleging a conspiracy to violate US sanctions against North Korea and have alleged former Ethereum developer, Virgil Griffith, assisted them

It is alleged that Griffith - who earlier pleaded guilty to conspiracy charges - conspired with Spanish citizen Alejandro Cao De Benos and United Kingdom citizen Christopher Emms to provide blockchain support to North Korea in violation of US sanctions

US Attorney for the Southern District of New York, Damian Williams, said:

*In his own sales pitch, Emms allegedly advised North Korean officials that cryptocurrency technology made it 'possible to transfer money across any country in the world regardless of what sanctions or any penalties that are put on any country.' The sanctions imposed against North Korea are critical in protecting the security interests of Americans, and we continue to aggressively enforce them with our law enforcement partners both here and abroad.*

Recently, the focus of the DOJ has shifted towards crypto related crime. Earlier this year, [the DOJ seized \\$US28 million worth of cryptocurrency](#) from a Canadian national in connection with his use of the NetWalker ransomware platform. According to the DOJ:

*Those contemplating evading U.S. sanctions against a foreign government should know the FBI and its partners will aggressively investigate these cases.*

Crypto is of course a terrible tool for evading [sanctions](#) due to the transparent nature of the transparent and censorship resistant record of transactions. This prosecution is yet another example of this feature of the technology.