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Blockchain Bites: Finder Wallet secures victory in landmark ASIC appeal; Pure GENIUS? America just gave stablecoins a rulebook; AUSTRAC updates regulatory priorities ahead of major AML/CTF reforms; Psssst! SEC Chair says Ethereum is (informally) not a security

Steven Pettigrove, Luke Higgins, Jordan Markezic and Emma Assaf of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

Finder Wallet secures victory in landmark ASIC appeal

On 24 July 2025, the Full Court of the Federal Court handed down judgment in *ASIC v Wallet Ventures Pty Ltd* [2025] FCAFC 93 dismissing the Australian Securities and Investments Commission's (**ASIC**) appeal and upholding an earlier ruling that the Finder Earn product was not a debenture under the *Corporations Act 2001* (Cth) (**Corporations Act**).

Background

In December 2022, ASIC commenced civil penalty proceedings in the Federal Court of Australia against Finder Wallet Pty Ltd (**Finder**). ASIC alleged that Finder provided unlicensed financial services, breached product disclosure requirements and failed to comply with design and distribution obligations in connection with the Finder Earn product.

The Finder product allowed users to transfer cash, purchase TrueAUD stablecoins and be paid a fixed return for giving Finder the use of the stablecoins. Customers earned a "return" in AUD of either 4.01% paid daily or sometimes a promotional rate of 6.01%.

ASIC alleged that the product was a debenture under section 9 of the *Corporations Act*, which is defined as follows:

> *debenture of a body means a chose in action that includes an* ***undertaking by the body to repay as a debt money deposited with or lent to the body****. The chose in action may (but need not) include a security interest over property of the body to secure repayment of the money.*

The Federal Court concluded that the product did *not* meet the definition of a debenture. ASIC announced that they had appealed the decision in April 2024.

ASIC's appeal

ASIC appealed the decision on two grounds:

1. The primary judge erred in holding that the Finder Earn product was not a debenture because the investor lent or deposited money with Finder Wallet. Alternatively, ASIC argued the acquisition of TrueAUD and its subsequent transfer to Finder Wallet should be treated as a single arrangement (under section 761B of the Corporations Act)

for determining whether the Finder Earn product was a debenture; and
2. The primary judge erred in finding that there was no undertaking by Finder Wallet to repay money as a debt. ASIC argued that the statutory definition of a debenture does not require the funds to be used as part of the respondent's working capital. Alternatively, if it was required, ASIC contended that Finder Wallet did use the funds as working capital.

Full Court Reasons

The Full Court decided that there was no error in the primary judge's conclusion that the Finder Earn product did not involve an undertaking by Finder Wallet to repay as a debt money deposited or lent to it for the following reasons (at [30]–[45]):

1. Interestingly, the Court began by clarifying that ASIC did not allege the Finder Earn product was "*in any sense a sham*" (i.e. which we presume to mean that it was not directed to the deliberate avoidance of regulation).
2. Customers were able to use their accounts for various reasons such as purchasing other cryptocurrencies or claiming a refund. This was a significant consideration because it "*rule[d] out any contention that the deposit of money … was a part of a single transaction with the … conversion of money to TrueAUD*".
3. It was accepted that TrueAUD is a species of property and therefore does not confer the same rights and entitlements as money.
4. When customers acquired TrueAUD, ownership of that property was transferred to Finder Wallet. The company was under a contractual obligation only to return equivalent property (that is, the same amount of TrueAUD plus a return), not to repay money as a debt. This was not consistent with the term "money debt" notwithstanding that the term debt has been judicially recognised as a flexible concept. The Court considered that this arrangement was more analogous to the concept of "lending" in the context of securities lending.
5. The fact that TrueAUD was pegged to the Australian dollar at a 1:1 ratio was not determinative. While this may have provided investors with comfort against volatility, it did not transform TrueAUD into "money" for the purposes of the Corporations Act.
6. ASIC's reliance on section 761B of the Corporations Act also failed. The problem with ASIC's argument was that the appeal framed the relevant transaction as beginning only when the customer selected the Finder Earn product, excluding the initial deposit of AUD. Once that initial deposit was left out, the remaining steps involved only the transfer of property and therefore could not satisfy the requirement that **money** be deposited with or lent to the company.

   Even if the scope were broadened to include the initial AUD deposit, the arrangement still would not qualify as a single scheme (within the meaning of "arrangement" under section 761B(2)(c)) because customers had other options for using their funds such as withdrawing them or purchasing other cryptocurrencies. This meant it could not reasonably be said that the parties regarded the arrangement as a single scheme.

7. Finally, the Court noted that clause 3 of the Terms and the FAQ materials relied on by ASIC confirmed that customers allocated cryptocurrency (not money) to Finder Wallet.

Since the Court held that the appeal failed on ground (1) for the reasons outlined above, it was unnecessary to consider ground (2) and the appeal was accordingly dismissed.

The road to regulatory clarity

The appeal decision provides important clarification of the legal principles applicable to debentures and following on the heels of the recent Full Court victory by Block Earner in establishing that its fixed yield loan product was not a managed investment scheme or financial investment product. In this decision, the Full Court again reiterated the primacy of user terms in defining legal rights and obligations consistent with the approach in the Block Earner case.

ASIC's loss follows a string of mixed results in enforcement actions targeting the crypto industry aimed at clarifying the regulatory perimeter. These decisions have demonstrated the intellectual rigour which the Courts have applied in understanding crypto-asset relating offerings and applying the existing regulatory framework despite its shortcomings.

In response, ASIC issued a media release stating that it was "*carefully considering the decision and its implications*", but notably conceding that:

> *This decision highlights the challenges in the current regulatory framework concerning debentures and the application of the existing financial services regime to products involving crypto assets.*

While an appeal by ASIC cannot be ruled out following its application seeking leave to appeal to the High Court in the Block Earner case, the result again highlights the difficulty both industry participants and regulators face in applying the complex legal definitions in the Corporations Act to novel and innovative product offerings. The judgment also makes the case for legal reform as a more effective and efficient means of establishing clear rules and consumer protections for crypto-asset offerings. Litigation aimed at clarifying the law comes at substantial cost and has a chilling effect on innovation. In this case, Finder opted to exit its cryptocurrency business (now renamed Wallet Ventures Pty Ltd) prior to the appeal judgment being handing down.

Although Finder won this case, the judgment makes clear that crypto businesses face significant regulatory uncertainty. In other jurisdictions, this uncertainty is being addressed through legal reforms such as the US Genius Act passed last week which provides a bespoke regulatory framework for payment stablecoins. With the returning Labor Government embracing a productivity and innovation agenda, we expect to see Australia join in efforts to provide fit for purpose regulation and targeted relief to promote digital asset innovation while ensuring effective consumer protections.

Written by Steven Pettigrove and Emma Assaf

Pure GENIUS? America just gave stablecoins a rulebook

On 18 July 2025, President Trump signed the Guiding and Establishing National Innovation for US Stablecoins Act (**GENIUS Act**) into law, marking a historic milestone for the digital asset industry by establishing a unified federal framework for stablecoins.

The GENIUS Act is a foundational part of President Trump's digital asset strategy and follows a series of bold public and private initiatives such as the creation of the Strategic Bitcoin Reserve, the launch of presidential memecoins of Donald and Melania Trump, and Trump Media's recent acquisition of over $2 billion in bitcoin and bitcoin-linked securities, alongside an additional US $300 million allocated to an options acquisition strategy for bitcoin-related securities.

A fact sheet published by the White House outlines the core aims of the GENIUS Act as follows:

1. **Make America a leader in digital assets**

The GENIUS Act is designed to make the United States the global hub for digital finance and innovation. It seeks to attract investment, foster innovation and provide regulatory clarity that encourages responsible growth. President Trump called it "American brilliance at its best" and emphasised that it will deliver on his promise to make the US the "crypto capital of the world":

> *[The GENIUS Act] is going to make America the UNDISPUTED Leader in Digital Assets — Nobody will do it better, it is pure GENIUS! Digital Assets are the future, and our Nation is going to own it. We are talking about MASSIVE Investment, and Big Innovation. The House will hopefully move LIGHTNING FAST, and pass a 'clean' GENIUS Act. Get it to my desk, ASAP — NO DELAYS, NO ADD ONS. This is American Brilliance at its best, and we are going to show the World how to WIN with Digital Assets like never before!*

2. **Protect consumers in digital markets**

The GENIUS Act mandates that all stablecoins be fully backed by either cash, cash equivalents or short-term US Treasury securities. Issuers are required to publish monthly reserve composition reports and are prohibited from making misleading claims that their stablecoins are backed by the US government, federally insured or legal tender. In case of issuer insolvency, stablecoin holders' claims will take precedence over other creditors to ensure a "final backstop of consumer protection".

3. **Ensure US dollar global reserve currency status**

By requiring stablecoin issuers to hold US dollars or Treasuries, the GENIUS Act aims to increase global demand for US debt as reserve backing for stablecoins. This reinforces the dollar's role as the primary reserve currency, while tying the evolution of digital finance more tightly to US financial strategy.

4. **Combat illicit activity in digital assets**

Stablecoin issuers will now fall under the Bank Secrecy Act, subjecting them to strict anti-money laundering and sanctions compliance programs (for example, verifying customer identities). The legislation contemplates that issuers will be subject

to requirements to freeze, seize or destroy tokens if lawfully ordered by law enforcement. Further Treasury consultations are expected on such measures in the coming months.

The future of money?

The regulatory clarity provided by the GENIUS Act is expected to accelerate adoption of stablecoins by major corporations and financial institutions. Companies like Amazon and Walmart are actively exploring use cases for stablecoins, while banks such as JPMorgan Chase and Bank of America are looking to develop their own stablecoin initiatives. However, other forms of digital money such as tokenised deposits will fall outside the regulation. For consumers, this could translate into instant and low-cost payments, potentially making stablecoins the preferred option for everyday transactions and online commerce.

The GENIUS Act also sets a strong regulatory precedent. International issuers hoping to access US markets will need to comply with its standards, effectively extending American regulatory influence into the global digital asset space. More broadly, the integration of stablecoin regulation into national financial strategy reflects a growing recognition that digital assets are no longer fringe innovations. They are fast becoming central to modern economic power, with the United States taking the lead in shaping the future of money.

Breaking it down

It's clear that the mainstream adoption of stablecoins will drive blockchain usage, particularly smart contracts, and bring more people and usage to the crypto space, but critics have suggested that GENIUS creates "CBDC with a fresh coat of paint" and alleging that the Act drives stablecoin issuance to banks only.

The ban on yield being paid from Stablecoin issuers to holders creates a big incentive for new entrants to the stablecoin market, as their profit source (yield on the assets backing their stablecoins) is clear and has a wide regulatory moat with only US Banks or licensed non-bank firms able to issue stablecoins, and foreign issuers must be from a country with "comparable" regulation. DeFi based stablecoins are excluded from the GENIUS Act, so those wishing to avoid CBDC-style controls or seeking yield will be pushed outside the regulated US system.

Written by Steven Pettigrove and Emma Assaf with Michael Bacina

AUSTRAC updates regulatory priorities ahead of major AML/CTF reforms

As Australia prepares for sweeping reforms to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (**AML/CTF Act**), AUSTRAC has released its regulatory priorities for 2025–26. Earlier this month, AUSTRAC CEO Brendan Thomas also issued a statement outlining the regulator's expectations for reporting entities over the coming year.

AUSTRAC will be directing its regulatory focus on the most significant money laundering, terrorism financing and proliferation financing risks (**ML/TF/PF**) (with proliferation financing coming under increasing scrutiny following reforms to AML/CTF laws). AUSTRAC's 2025–26 strategy aims to:

1. enhance ML/TF/PF risk management by ensuring entities implement effective anti-money laundering and counter-terrorism financing (**AML/CTF**) controls, and
2. support AUSTRAC's intelligence function and the work of its law enforcement partners through high-quality transaction reporting.

AUSTRAC has also outlined seven priority outcomes to guide its supervision and engagement with existing and newly regulated entities.

Outcome 1: *'Tranche 2' entities understand their AML/CTF obligations and start appropriately managing their ML/TF/PF risks*

From 1 July 2026, AML/CTF obligations will extend to real estate agents, dealers in precious metals and stones, lawyers, conveyancers, accountants and trust and company service providers.

AUSTRAC aims to ensure these entities understand their obligations, enrol as reporting entities develop AML/CTF programs, train relevant staff and implement appropriate reporting and record-keeping systems. Entities that fail to enrol or show poor compliance effort will face increased scrutiny.

Outcome 2: *Existing reporting entities implement changes to their AML/CTF programs and practice, to align with changes in the legislative regime*

By 30 June 2026, AUSTRAC expects reporting entities to update their risk assessments and AML/CTF programs to reflect legislative changes, including those relating to customer due diligence, value transfer obligations, international transfer reporting and regulation of new virtual asset services.

Outcome 3: *An increased proportion of entities understand and comply with their suspicious matter reporting obligations*

Suspicious Matter Reports (**SMRs**) are central to AUSTRAC's intelligence efforts. AUSTRAC intends to identify low and non-reporters, improve their systems and processes and ultimately ensure a higher volume of high-quality SMRs.

Outcome 4: *Improved ML/TF/PF risk management within the digital currency exchange and virtual asset service provider sectors*

AUSTRAC will prioritise regulatory intervention where virtual asset service providers are indifferent to the heightened ML/TF/PF risks they face, fail to manage those risks effectively, or are complicit in criminal activity. Registration as a digital currency exchange provider will be based on the entity's ability to effectively manage these risks. This is consistent with increasing scrutiny of the sector over the last 12 months including a recent crackdown on crypto ATMs.

Outcome 5: *Improved risk management by reporting entities whose exposure to cash creates ML/TF/PF vulnerabilities*

AUSTRAC seeks to identify reporting entities failing to manage their cash-related ML/TF/PF risks and focus on improving adoption of industry-recognised controls to manage these vulnerabilities.

Outcome 6: *An increased proportion of existing reporting entities update their enrolment details when required under the AML/CTF Act and Rules*

Reporting entities are expected to keep their enrolment information up to date. To support this, AUSTRAC will use various channels to issue reminders.

Outcome 7: *Increased capability and coordination around the management of ML/TF/PF risks in the Pacific region*

To build stronger capability and coordination in managing ML/TF/PF risks across the Pacific region, AUSTRAC will establish a PSF Secretariat aligned with the Pacific Financial Intelligence Community Secretariat, deliver the PSF annual meeting and establish an annual work program.

What does this mean for businesses?

At the AUSTRAC Industry Forums on 28 May 2025, AUSTRAC CEO Brendan Thomas made it clear that the regulator's mission is not about perfection:

> *Keeping Australia safe from criminal harm is our primary goal. AUSTRAC does not expect perfection on day one. However, we do expect you to maintain your focus on reducing your money laundering risks. The core principles of identifying, mitigating and managing those risks remain unchanged. We recommend businesses resist the urge to implement programs or processes that may create the impressions of compliance with the AML/CTF Act, but have minimal impact on the risk of money laundering.*

AUSTRAC appears to recognise that reporting entities will need time to adapt but makes it clear that effort and intent matter. This means avoiding "tick-a-box" compliance and instead developing AML/CTF programs tailored to each entity's specific risk exposure with a focus on reducing actual harm.

With that in mind, and with reforms approaching, now is the time for businesses to review their exposure to ML/TF/PF risks, update their AML/CTF programs and ensure their systems and controls are capable of addressing the risks they may face.

Written by Steven Pettigrove and Emma Assaf

Psssst! SEC Chair says Ethereum is (informally) not a security

In an interview on CNBC's Squawk Box, the United States Securities and Exchange Commission (**SEC**) Chairman Paul Atkins shared insights on the newly passed GENIUS Act, the role of private equity in retirement plans and cryptocurrency investing strategies. Most notably, Atkins reaffirmed that the SEC has informally stated ETH is *not* a security under US

Law, placing it in the same category as Bitcoin.

During the interview, Atkins stated:

> *The SEC has stated informally more than formally that Ether is not a security.*

He further emphasised the Ethereum blockchain's role in powering a broad range of digital currencies and stated that the market's embrace of digital assets is "*encouraging*" and signals a "*good future for development*".

The GENIUS Act

The discussion also touched on the GENIUS Act. Atkins clarified that payment stablecoins fall outside the SEC's jurisdiction, landing instead under the purview of banking regulators. He called the stamp of approval on these digital assets a *"watershed"* moment for crypto, expected to lower costs, reduce risks and enable instantaneous settlements. The GENIUS Act, he suggested, will drive innovation and make US markets "*the best in the world*"

401(k) reforms

Historically, private companies have been excluded from retirement plans like 401(k)s due to the absence of disclosure requirements. However, Atkins noted that private markets have grown substantially, with large pools of capital flowing into venture capital, private equity and private credit. There have been separate reports that President Trump will expand the mandate to include cryptoassets via executive order.

The SEC has previously made it difficult for individual investors to participate in private markets, so in collaboration with the Department of Labor, and following an executive order from President Trump, the SEC will be seeking to establish guardrails that would allow various registered products to be included in retirement plans, enabling long-term investment opportunities while addressing risks such as valuation, liquidity and fees. He stressed the role of fiduciaries in ensuring these products are appropriately managed.

Atkins also highlighted the challenges of operating as a public company, citing excessive disclosure requirements, litigation issues and governance issues which cause many to avoid public markets altogether. Atkins said there is a need to "*rejuvenate the public markets*" and "*make IPOs great again*". That effort, he stated, must leverage the SEC's regulatory powers to make public markets more attractive.

Atkins statements signal a growing recognition that digital assets are being embraced by the market, and that US regulators and many peers around the world are taking steps to embrace reform and innovation to cater for investor demand, remove regulatory uncertainty and cater for stronger consumer protections. The US is such a huge market that many regulators take their lead from the actions of the SEC, so it will be interesting to see how these comments influence the actions of other regulators around the world and parliaments working on digital asset regulation.

You can watch the full CNBC interview here.

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