

Article Information

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Blockchain Bites: ASIC sues Block Earner for alleged unlicensed crypto based products, NY Fed Launches CBDC Pilot, AO Art Ball serves up real world value

Michael Bacina, Steven Pettigrove, Luke Misthos, Jake Huang and Lola Hickey of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

ASIC sues Block Earner for alleged unlicensed conduct over crypto-asset based products

ASIC, the corporate regulator, has commenced [proceedings](#) in the Federal Court against a crypto fintech company, [Block Earner](#), for allegedly offering unlicensed financial products to retail investors.

ASIC Deputy Chair, Sarah Court, [said](#) that:

We are concerned that Block Earner offered financial products without appropriate registration or an Australian Financial Services licence, leaving consumers without important protections. Simply because a product hinges on a crypto-asset, does not mean it falls outside financial services law.

[Block Earner](#) offered several yield earning products based on crypto-assets, that were called USD Earner, Gold Earner and Crypto Earner. ASIC [alleges](#) that these are financial products and an unregistered managed investment scheme which required Block Earner to be licensed.

ASIC Deputy Chair, Sarah Court, [noted](#) that:

ASIC is aware that many consumers are interested in purchasing or investing in crypto-assets. Crypto-assets are risky, inherently volatile and complex and ASIC remains concerned that potential investors in crypto-assets may not fully appreciate the risks involved. ASIC supports the development of an effective regulatory framework covering crypto-assets to protect consumers and investors.

ASIC alleges that [Block Earner](#) should have obtained a licence as it created a facility through which a person makes a financial investment, the products were an unregistered managed investment scheme and/or were a derivative. [Block Earner](#) was seeking to link investors with [Aave](#) and [Compound](#), prominent DeFi lending protocols which compensate for lending stablecoins.

This court action follows proceedings initiated by ASIC last month [against](#) BPS Financial Pty Ltd for allegedly making misleading statements and unlicensed conduct in relation to its crypto asset Qoin and [against](#) Holon Investments Australia Limited for offering or distributing three funds to retail investors because of non-compliant target market determinations.

ASIC is seeking declarations, injunctions, and pecuniary penalties from the Court in this matter. The date for the first case management hearing is yet to be scheduled by the Court.

NY Fed Launches CBDC Pilot

The Federal Reserve Bank of New York (**NY Fed**) has [announced](#) a 12-week proof-of-concept pilot for a central bank digital currency, or CBDC, to explore the feasibility of a central bank wholesale digital currency and commercial bank digital money.

The NY Fed will [collaborate](#) with several banking giants in the pilot, including BNY Mellon, Citi, HSBC, Mastercard, PNC Bank, TD Bank, Truist, U.S. Bank and Wells Fargo. These institutions will issue tokens and settle transactions through simulated central bank reserves.

In a press release, the NY Fed said the pilot would

explore the feasibility of an interoperable network of central bank wholesale digital money and commercial bank digital money operating on a shared multi-entity distributed ledger.

The distributed ledger being used for this pilot is called regulated liability network (RLN), which is being provided by [SETL and Digital Asset](#), and powered by Amazon Web Services.

SWIFT, the global financial messaging service provider, is also participating in the pilot to support interoperability across the international financial ecosystem.

Per von Zelowitz, Director of the NY Fed's New York Innovation Centre (**NYIC**), said:

The NYIC looks forward to collaborating with members of the banking community to advance research on asset tokenization and the future of financial market infrastructures in the U.S. as money and banking evolve.

The NY Fed also [said](#) the project could “potentially be extended to multi-currency operations and regulated stablecoins.” Earlier this month, Michelle Neal, head of the NY Fed's market's group, [said](#) it sees promise in using a CBDC to speed up settlement time in currency markets.

The NY Fed's pilot is a significant step toward the use of wholesale CBDCs and distributed ledger technology in the regulated financial system. The pilot follows the release in October of the [White House's Comprehensive Framework for Responsible Development of Digital Assets](#) which encouraged the Federal Reserve to continue its ongoing CBDC research, experimentation and evaluation. The United States now joins a growing [list of countries piloting a CBDC](#), including Australia which [announced plans](#) to move ahead with a pilot in August.

AO Art Ball serves up real world value

AO Metaverse, the company that released the [AO Art Ball Collection](#) for the 2022 Australian Open, [sold out in three minutes during its release in January this year](#), has announced a significant giveaway to holders of the AO Art Ball NFT. In collaboration with Tennis Australia, AO Art Ball holders will be entitled to two Ground Passes to the 2023 Australian Open for each Art Ball they own and exclusive behind-the-scenes streams.

There are currently 6,774 Art Ball Collection NFTs, [all available on OpenSea](#), making this the largest release of tickets to an Australian Open membership program in the history of the Australian Open. Holders of multiple Art Balls get to claim up to 20 tickets if they happen to hold many Art Balls.

Holders will receive passes to finals week, running from January 23 to January 29, access to United Cup matches, player-cams, 3D Stats Explorer and AI personalised match highlights. Chief Commercial Officer of Tennis Australia, Cedric Cornelius, [said](#):

As one of the world's biggest sport and entertainment events, we are always exploring opportunities to innovate, and we're excited by the additions planned for AO ArtBall 2023. We look forward to welcoming AO ArtBall holders to experience the AO this summer

AO ArtBalls were assigned a plot on the tennis court, and if a winning shot from any of the Australian Open matches landed on that plot, the Art Ball corresponding to that plot was updated in real-time to highlight that match information, and a digital holographic sticker appeared on the ball casing. The plots will be reset for this year's Open and so all ArtBall holders have a new shot at this upgrade feature.

The AO Art Balls won the Entertainment Cannes Lions award for Sport and has been considered a leading Australian Web3 project, bridging the purely digital NFT space into the real world.