

Article Information

Author: Michael Bacina

Service: Blockchain, FinTech

Sector: Financial Services

Blockchain Bites: Australian sentenced for Ripple theft, SEC enforcement action against Boon.Tech, New York greenlist and FedNow

Michael Bacina, Tom Skevington, Louisa Xu and Petros Xenos of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

Sydney woman jailed for \$400k Ripple theft

Judge Chris Craigie recently sentenced Australian woman Kathryn Nguyen to a maximum of two years and three months in jail for stealing over 100,000 Ripple (**XRP**) tokens in early 2018. After being arrested in October 2018, Ms Nguyen was one of the first Australians to be charged with the theft of digital assets in Australia.

The theft was relatively straightforward. Ms Nguyen and an accomplice hacked an elderly man's email account in January 2018 and subsequently accessed his digital currency holdings and changed the man's two-factor authentication code to her mobile number. This allowed Ms Nguyen to transfer over 100,000XRP to her account, which was equivalent to approximately \$400,000 (close to Ripple's all time high at the time).

Misleading statements at forefront of SEC action against Boon.Tech ICO

The U.S. Securities and Exchange Commission (**SEC**) has come down hard on another ICO, [announcing](#) charges against Virginia-based Boon.Tech and its chief executive officer Rajesh Pavithran in connection with an ICO from November 2017.

The charges relate to an ICO conducted between November 2017 and January 2018, during which Boon.Tech and Pavithran raised approximately USD\$5 million by selling "Boon Coins" to more than 1,500 investors worldwide. The ICO was notionally to raise funds for the development and marketing of a (novel and very original) platform to connect employers posting jobs with freelancers seeking work.

While the matter did not go to court, the parties Pavithran agreed to settle the charges by consenting to the issuance of the SEC's order, which requires Boon.Tech to disgorge the USD\$5 million raised in the ICO plus prejudgment interest of USD\$600,334. The order also requires Boon.Tech and Pavithran to:

1. destroy all Boon Coins in their possession;
2. issue requests to remove Boon Coins from any further trading on all third-party digital asset trading platforms;
3. refrain from participating in any future offerings of digital asset securities; and

4. separately requires Pavithran to pay a penalty of USD\$150,000

Pavithran has also been barred from serving as an officer or director of a public company.

New York yields green list for eight virtual currencies

The [New York State Department of Financial Services \(NYDFS\)](#) recently [issued a greenlist](#) of digital assets it has approved for sale and trade, as well as for custody, which includes Bitcoin, Ethereum, Litecoin, Ripple and Paxos, among others.

The NYDFS elaborated that any licensed business needed to inform the regulatory body prior to using any green listed token. The NYDFS also stated that:

Any entity licensed by DFS to conduct virtual currency business activity in New York may use coins on the Greenlist for their approved purpose.

While the greenlist is a helpful guide and promotes certainty for entities licensed by the NYDFS, the greenlist has significant limitations. NYDFS retains the right to not only remove any of the tokens from the greenlist at any given time, as well as discontinue the list entirely. NYDFS Also explicitly provides that even if a digital asset is on the greenlist, NYDFS may prohibit or otherwise limit a digital asset's use by a licensed entity

Blockchain based digital driver's licences take off in South Korea

Recent reporting from [Statista](#) has suggested that over one million South Koreans have opted to ditch a physical drivers license in favour of a blockchain-powered digital alternative through the [PASS app](#).

The digital ID project has progressed rapidly, moving from approval by the [South Korean Ministry of Science and ICT](#) in September 2019, then launched in May 2020 by the National Police Agency in partnership with the Korea Road Traffic Authority. The project is operating within a regulatory sandbox in collaboration with three of South Korea's top mobile carriers.

As with the digital identification projects in Australia and abroad, the PASS digital ID can also be used for identification and proof-of-age requirements. Additional functionality allows merchants to verify the accuracy of information shown on the app via a barcode or QR code on the PASS app.

However, despite the functionality theoretically allowing the digital ID's to be used at convenience and liquor stores, South Koreans using the app may well run into the same [problems identified by users in South Australia and New South Wales](#), where merchants are unwilling to accept a digital ID over a good old fashioned card in hand.

FedNow fired into full throttle following Commissioner support

In a [letter](#) addressed to the Federal Reserve's Board of Governors, Rohit Chopra, a commissioner at the United States Federal Trade Commission expressed his support for the Fed's proposal to launch a real-time payments system, named the "[FedNow Service](#)."

The FedNow Service was pitched as a new, 24/7/365 real-time payments and settlements service in a [public announcement](#) by the Fed this month.

The service will reportedly be made available for both enterprise use and the general public, as it is intended to enable consumers to manage their funds more flexibly and complete time-sensitive payments outside of conventional banking hours.

Clearly anticipating the inevitable comparison to Libra, Commissioner Chopra stated that:

The laundry list of risks raised by the Libra project will take time to unpack and address. But regardless of

Libra's ultimate fate, the proposal's emergence underscores the appetite for real-time payments and the urgency of intervention by the Federal Reserve.

While there isn't really enough detail to go on at this point, our view is that FedNow bears much more in common with the [Australian New Payments Platform](#) (NPP) launched in February 2018. The NPP is an open access infrastructure for fast payments across Australia, and was developed via industry collaboration to enable households, businesses and government agencies to make simply addressed payments, and much like the FedNow service, delivers a nearly real-time funds availability to the recipient, on a 24/7 basis.

Both FedNow and the NPP have demonstrated the willingness and capacity of central banks to not only acknowledge the rapidly changing financial landscape, but actively create systems which facilitate this change by developing expedient and more dynamic payment methods. Whether a US, Australian or other central bank will take the leap of faith and commit to developing a CBDC remains to be seen.