



Hong Kong Monetary Authority Partners with Banco Central do Brasil on Ground-breaking Cross-Border Tokenisation Initiatives

On 28 October 2024, the Hong Kong Monetary Authority (**HKMA**) announced a pioneering collaboration with the Banco Central do Brasil (**BCB**) to drive innovation in cross-border tokenisation. This partnership aims to bridge the digital financial infrastructures of Hong Kong and Brazil, uniting their respective central bank digital currency (**CBDC**) platforms, Project Ensemble's Sandbox and Brazil's Drex pilot programme. By jointly exploring cross-border use cases for tokenisation, the HKMA and BCB are set to establish new standards in digital finance, particularly in areas such as trade finance and carbon credit settlement.

The partnership builds on a Co-operation Agreement signed between HKMA and BCB in 2018, which laid the groundwork for fostering innovation in financial services across both jurisdictions. Now, as both institutions make significant strides in the development of CBDCs and tokenised assets, they see the collaboration as an opportunity to create a more integrated, secure, and efficient global financial system. By linking the Ensemble Sandbox and the Drex platform, the HKMA and BCB aim to create seamless and secure channels for cross-border payment-versus-payment (**PvP**) and delivery-versus-payment (**DvP**) settlements.

This collaboration reflects a shared commitment to harnessing advanced technology to elevate the financial industry. The Chief Executive of HKMA, Mr Eddie Yue, remarked, "The seed of collaboration between HKMA and BCB, planted a few years ago, has now blossomed. Project Ensemble is all about collaboration with industry partners to advance the tokenisation market. In this regard, the BCB is an excellent partner, especially as we share a common vision of driving the future of the financial industry through technology."

The integration of the Ensemble Sandbox and Drex platform is an advancement in enabling efficient cross-border transactions between Hong Kong and Brazil. The cross-border payment infrastructure is expected to provide mutual benefits, enhancing efficiency and reducing risks associated with international transactions. Both jurisdictions will benefit from improved capabilities for trade finance and carbon credit settlements, helping businesses and financial institutions alike to operate with increased trust and transparency. By enabling tokenised transactions in carbon credits, the project aims to support environmental sustainability efforts while establishing a reliable market structure for carbon credit trading.

The HKMA's Ensemble Sandbox, launched in August 2024, serves as a versatile environment for testing digital financial technologies across four core areas: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance. This platform provides industry participants with a structured environment to explore and validate tokenisation models and other digital financial services.

Meanwhile, the Drex platform in Brazil represents the BCB's ambitious efforts to establish a tokenised financial ecosystem within its jurisdiction. In September 2024, BCB announced the second phase of its Drex pilot programme, which covers thirteen themes focused on developing a secure and scalable tokenised financial market. Developed in cooperation with over seventy Brazilian financial institutions, Drex's framework supports a wide range of applications that promise to enrich Brazil's financial landscape.

This strategic alignment between Ensemble and Drex opens up new avenues for industry-wide experimentation and development, where the combined insights from both jurisdictions can lead to innovative solutions for emerging financial challenges. Governor Roberto Campos Neto of the BCB expressed his enthusiasm for the project, stating, "The collaboration with the HKMA is an important step of this new phase in the construction of Drex. Participating in cross-border experimentation and debates is fundamental to help in the creation of an even better integrated global financial market."

Through this partnership, HKMA and BCB are establishing a model for international regulatory collaboration, setting a precedent for future cross-border digital finance initiatives. The collaboration is symbolic of the potential for global integration, as both authorities recognise that the path to a resilient financial future lies in international cooperation and knowledge-sharing.

Through Project Ensemble and the Drex programme, HKMA and BCB are laying the groundwork for a future where cross-border transactions are more secure, transparent, and efficient, with mutual goals to refine CBDC applications, expand tokenised asset classes, and support sustainable finance.

(Source: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/10/20241028-3/>)

Hong Kong Monetary Authority and Bank of Thailand Launch Collaborative Cross-Border Tokenisation Initiatives

On 28 October 2024, the Hong Kong Monetary Authority and the Bank of Thailand announced a strategic collaboration to advance cross-border tokenisation. This partnership, undertaken within the frameworks of Project Ensemble and Project San, is designed to explore innovative applications for tokenised financial transactions between Hong Kong and Thailand. By integrating their digital financial infrastructures, the Hong Kong Monetary Authority and the Bank of Thailand aim to streamline cross-border trade payments, enhance the operation of carbon credit markets, and strengthen interoperability in their respective financial systems through distributed ledger technology.

The partnership builds on a longstanding commitment between the Hong Kong Monetary Authority and the Bank of Thailand to foster financial innovation. Since signing a Memorandum of Understanding in 2019, these two central banks have successfully collaborated on several ground-breaking financial technology projects, including Project Inthanon-LionRock and Project mBridge. These initiatives have established a foundation of trust and shared ambition, positioning both authorities as leaders in the development of digital financial solutions that address the complexities of a globalised economy. With Project Ensemble and Project San, the Hong Kong Monetary Authority and the Bank of Thailand are extending their commitment to transformative cross-border financial technologies.

This latest collaboration offers significant benefits for both Hong Kong and Thailand, especially in simplifying cross-border financial transactions. By focusing on payment-versus-payment and delivery-versus-payment mechanisms, the Hong Kong Monetary Authority and the Bank of Thailand are developing a system where cross-border payments can occur seamlessly, reducing the need for multiple intermediaries and lowering transaction costs. These improvements are expected to increase efficiency in trade payments and support the growth of sustainable carbon credit markets, which rely on secure, transparent tokenised transactions.

The collaboration also provides a unique opportunity to address common challenges while respecting the regulatory and operational differences of each jurisdiction. The Hong Kong Monetary Authority and the Bank of Thailand are keen to explore the potential benefits that can be achieved by deepening their understanding of the regulatory environments and market structures specific to each region, setting a precedent for other jurisdictions to follow.

A central aspect of this initiative is the proof of concept for linking distributed ledger technology-based financial market infrastructures under Project Ensemble and the Bank of Thailand's Project San. This proof of concept aims to establish whether these distributed ledger technology systems can operate effectively together, supporting the safe and efficient transfer of tokenised assets across borders. It will examine a variety of technical, regulatory, and operational factors, providing valuable insights into the interoperability of distributed ledger technology platforms. Through this rigorous testing, the Hong Kong Monetary Authority and the Bank of Thailand hope to identify best practices for future cross-border tokenisation initiatives and to ensure that these technologies are both scalable and secure.

The Ensemble Sandbox, launched by the Hong Kong Monetary Authority in August 2024, serves as a testing environment where industry participants can conduct experiments in tokenisation across four critical areas: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance. This collaborative environment allows participants to develop and refine tokenised solutions while remaining within the regulatory frameworks of both jurisdictions.

The Bank of Thailand's Project San, initiated in June 2024, aims to build tokenisation ecosystem. This includes the development of a wholesale settlement engine, compatibility with Ethereum Virtual Machine ledgers, and mechanisms for interoperability. By bringing together the technical infrastructure of Project San and the research-focused approach of Project Ensemble, the Hong Kong Monetary Authority and the Bank of Thailand are creating a comprehensive framework to support a wide range of tokenised financial assets.

Howard Lee, Deputy Chief Executive of the Hong Kong Monetary Authority, expressed his enthusiasm for the joint initiative, noting the shared vision between the Hong Kong Monetary Authority and the Bank of Thailand in harnessing central bank digital currencies for cross-border financial applications. "Expanding our partnership to explore cross-border tokenisation use cases further underscores this shared vision," he remarked. "As with our previous projects, I am confident that this collaboration will yield valuable insights for both jurisdictions."

Mrs Alisara Mahasandana, Deputy Governor of Corporate Development at the Bank of Thailand, highlighted the mutual benefits that could arise from this partnership. She stated, "Through our collaborative efforts in exploring the interoperability of tokenisation, mutual benefits for both Hong Kong and Thailand could be reaped. This partnership will significantly advance tokenisation efforts in our financial sectors, both domestically and cross-border, by offering broader insights into tokenisation, as different technical designs, business requirements, and regulatory frameworks of each jurisdiction will be taken into account."

(Source: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/10/20241028-4/>)

Latest Developments in WazirX Restructuring: Fifth Affidavit Filed in Singapore High Court

On 07 November 2024, Nischal Shetty, Director of Zettai Pte Ltd, filed his fifth affidavit in the General Division of the High Court of the Republic of Singapore. This filing, made in line with the requirements of the ongoing insolvency and restructuring proceedings under Section 64 of Singapore's Insolvency, Restructuring, and Dissolution Act, aims to provide updates on the Company's financial standing, interactions with the Committee of Creditors (COC), recent engagements with creditors, and future plans for restructuring.

Zettai Pte Ltd, which operates the WazirX cryptocurrency platform, has been under a court-sanctioned restructuring process since September 2024, after facing significant financial challenges due to a major cyber-attack on 18 July 2024. This attack resulted in a 45% asset deficit, prompting the Company to seek a Scheme of Arrangement in Singapore to maximize creditor recovery through a reorganization of assets and liabilities.

On 26 September 2024, the Singapore High Court granted Zettai a four-month moratorium, halting creditor claims until 26 January 2025. Since then, Shetty has filed several affidavits to keep the Court and creditors informed of progress, detailing financial adjustments and recovery efforts. The moratorium has allowed Zettai to focus on strategic planning without the pressure of immediate claims.

In accordance with the Court's instructions, Shetty's latest affidavit includes Zettai's unaudited consolidated management accounts, balance sheets, and profit and loss statements as of 27 August 2024. These documents reflect the Company's financial health but notably exclude contingent assets and liabilities related to disputed ownership of platform assets. Zettai asserts that these figures are based on accepted accounting principles.

Recent updates were shared with creditors at the 4th Creditors' Townhall held on 6 November 2024. This virtual meeting, hosted via Zoom and livestreamed on YouTube, aimed to ensure transparency in the restructuring journey and addressed creditor questions in real-time. Zettai's team, including representatives from Kroll, its financial advisors, explained various restructuring aspects, including efforts to secure additional funding, asset rebalancing, and recovery from the cyber-attack. This townhall followed a second meeting of the Committee of Creditors (**COC**) on 29 October 2024, where Zettai presented progress and sought feedback on upcoming plans.

The townhall also introduced Zettai's new Scheme Timeline Calculator, a tool designed to help creditors visualize the projected timeline and track restructuring milestones. By engaging creditors in this manner, Zettai seeks to maintain a collaborative approach and ensure that stakeholders remain informed.

The restructuring has attracted interest from several potential "white knights," external investors willing to support Zettai's recovery efforts. These parties are seen as pivotal in enhancing liquidity, with funds being earmarked for recovery efforts, reactivating exchange operations, and exploring revenue generation. Zettai hopes these alliances will bolster creditor recovery and provide a pathway for sustainable growth beyond the restructuring.

Creditor sentiment, as observed in recent COC meetings, reflects both cautious optimism and some urgency. Creditors are particularly focused on:

- Early liquidity options, such as a secondary debt market where they might liquidate holdings before the full restructuring concludes.
- Asset rebalancing and distribution in tokens of their choice.
- Recovery from cyber losses and additional revenue sources, including potential profit-sharing from the WazirX platform, which Zettai plans to reactivate.

The restructuring proposal includes provisions to distribute liquid assets in preferred tokens, pursue recovery of illiquid assets, and work with reputable funds to provide early liquidity options. Zettai has also promised to release an "asset allocator simulator" soon, enabling creditors to understand the rebalancing process better. The role of COC members is vital, as they serve as creditor representatives in guiding the restructuring. Members are expected to actively engage in meetings and discussions to support consultative decisions. During the formation of the COC, six members were identified as inactive

(Source: <https://charltonsquantum.com/wp-content/uploads/2024/11/2024.11.07-5th-Affidavit-of-Nischal-Shetty.pdf>)

Australian Court Charges Former CEO of AI Marketing Firm Metigy for Investor Misleading and Position Misuse

On 8 November 2024, David Fairfull, former Chief Executive Officer of the artificial intelligence marketing company Metigy, appeared before the Downing Centre Local Court in Sydney, Australia, to answer allegations of misleading investors and abusing his position as a director for personal gain. The case, led by the Australian Securities and Investments Commission (**ASIC**), represents a landmark in the governance of artificial intelligence firms, where the need for transparency and ethical accountability has never been greater as AI continues to transform industries and attract substantial investment.

1041E(1) of the Australian Corporations Act 2001 and an additional charge of dishonestly using his directorial position for personal benefit, in violation of section 184(2) of the same Act. ASIC's investigation alleges that between 2018 and 2021, while actively seeking investor funding, Mr Fairfull provided exaggerated revenue and income figures for Metigy, an AI-powered digital marketing platform developed for small to medium-sized businesses. Furthermore, ASIC contends that Mr Fairfull used his authority to secure a personal loan, thus compromising his fiduciary duty to the company and its stakeholders.

This case marks a critical moment for Australia's artificial intelligence sector, underscoring the standards to which company directors are held. With the rise of AI-powered businesses, transparency and integrity in executive conduct have become paramount. "ASIC took this case as directors' duties are an enduring priority for us," remarked ASIC Deputy Chair Sarah Court. "Company directors play an integral role in overseeing governance in addition to both performance and compliance, and as such have a responsibility to act with integrity and honesty."

This prosecution sets a precedent for corporate governance in artificial intelligence, across Australia's burgeoning AI sector. As AI technologies reshape business models and attract diverse investor bases, the case reinforces the importance of directors' obligations to maintain transparency, provide accurate investor information, and ensure ethical decision-making. ASIC's decision to refer the case to the Commonwealth Office of the Director of Public Prosecutions shows its commitment to safeguarding investor interests within AI-led companies. The matter is scheduled to return to the Downing Centre Local Court on 10 December 2024, drawing continued attention to ASIC's focus on corporate accountability in artificial intelligence.

The regulatory landscape Australia has been building around artificial intelligence. Recognising both the opportunities and risks of AI, the Australian Government has introduced frameworks to promote ethical practices, transparency, and public trust in AI-driven systems. Initiatives such as the AI Ethics Framework provide foundational guidance for organisations on fair and accountable AI usage, establishing standards for privacy, fairness, and reliability.

The National Artificial Intelligence Centre, founded in partnership with CSIRO's Data61, coordinates research and supports responsible AI adoption across industries. This central body fosters collaboration between researchers, developers, and businesses, while promoting regulatory alignment that ensures new AI technologies are developed and used safely. Australia's AI Action Plan, released by the Department of Industry, Science, Energy and Resources, maps out a long-term vision for AI's role in economic growth, committing to investments in AI skills, infrastructure, and ethical standards to meet the demands of a rapidly evolving sector.

Regulatory bodies such as ASIC and the Office of the Australian Information Commissioner have increasingly focused on AI's impact on finance and data privacy. ASIC has extended its governance oversight to AI-driven financial services, ensuring that corporate practices in this sector meet robust standards, while the Office of the Australian Information Commissioner enforces stringent data handling rules for AI applications.

The charges against Mr Fairfull illustrate the responsibilities and expectations placed on leaders within Australia's AI industry, setting a standard for ethical conduct and transparent governance. As artificial intelligence becomes embedded in business strategies across various sectors, this case stands as a reminder of the importance of integrity in AI leadership. The outcome will likely shape how Australia's AI industry develops, as companies and executives recognise the necessity of earning investor trust through honest communication and accountable management.

This case sets a precedent and affirms that directors in AI-led companies will be held accountable to the same, if not higher, standards as those in traditional industries. Australia is aiming to create a transparent, trustworthy AI industry—one where the benefits of innovation are pursued with a commitment to ethical governance and public confidence.

(Source: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-248mr-former-ceo-of-ai-marketing-company-metigy-charged-with-misleading-investors-and-dishonestly-using-his-position/?alt-Template=betanewsroom>)

Operator of Bitcoin Fog Sentenced for Money Laundering in Landmark Cryptocurrency Case

On 8 November 2024, the United States Department of Justice (**DOJ**) secured a significant sentence in a landmark case against Roman Sterlingov, a dual Russian-Swedish national, who operated Bitcoin Fog, the longest-running cryptocurrency “mixer” on the darknet. Sentenced to twelve years and six months in federal prison by the District Court of the District of Columbia, Sterlingov’s case marks one of the most prominent prosecutions for money laundering in the digital asset space. The court’s order also included a substantial forfeiture of over \$395 million in illicit proceeds, underscoring the judiciary’s intent to dismantle the networks supporting criminal activities on the darknet.

Roman Sterlingov’s Bitcoin Fog service, launched in 2011, operated as a cryptocurrency “mixer,” or “tumbler,” designed to obfuscate the source of cryptocurrency transactions. Bitcoin Fog became a go-to tool for criminals seeking anonymity, helping them “mix” illicitly obtained bitcoin with legitimate funds, making it virtually untraceable. Over its ten-year lifespan, Bitcoin Fog processed more than 1.2 million bitcoin transactions, valued at an estimated \$400 million when the transactions were completed. Most of these transactions involved proceeds from darknet marketplaces, including activities such as illegal drug sales, identity theft, computer crimes, and distribution of child sexual abuse material.

In March 2024, following a thorough investigation by the United States Department of Justice, the Internal Revenue Service Criminal Investigation (**IRS-CI**), and the Federal Bureau of Investigation (**FBI**), Sterlingov was found guilty of multiple offences. After a month-long trial, the jury convicted him of:

1. Money Laundering Conspiracy
2. Money Laundering
3. Operating an Unlicensed Money Transmitting Business
4. Money Transmission Without a License

These charges, specific to the jurisdiction of the United States, are violations of the federal Money Laundering Control Act and 18 U.S. Code Section 1960, which prohibits operating unlicensed money transmitting businesses. The legal proceedings, conducted by the United States District Court for the District of Columbia, represent a critical enforcement of U.S. federal laws governing cryptocurrency transactions and financial crimes.

In addition to his twelve-year and six-month prison term, Sterlingov faced severe financial penalties. The court ordered a forfeiture judgment amounting to \$395,563,025.39, along with the seizure of additional cryptocurrencies and monetary assets valued at approximately \$1.76 million. Sterlingov was further required to forfeit his interest in the Bitcoin Fog wallet, which held 1,345 bitcoin currently valued at over \$103 million. These extensive penalties reflect the court’s intent to recoup the proceeds generated through Bitcoin Fog’s facilitation of criminal activities.

Several high-ranking officials from the DOJ and other agencies involved in the case provided statements highlighting the importance of the sentencing. Deputy Attorney General Lisa Monaco underscored the significance of this outcome, stating, “Roman Sterlingov ran the longest-running bitcoin money laundering service on the darknet, and today he paid the price. In the deepest corners of the internet, he provided a home for criminals of all stripes... Today’s sentence reflects the Department’s determination to dismantle the criminal networks that enable criminal actors to flourish and ensure consequences for the criminals operating them.”

Principal Deputy Assistant Attorney General Nicole M. Argentieri, head of the DOJ’s Criminal Division, further commented, “Through his illicit money laundering operation, Sterlingov helped criminals launder proceeds of drug trafficking, computer crime, identity theft, and the sexual exploitation of children. Today’s sentencing underscores the Justice Department’s commitment to holding those who facilitate criminal activity fully accountable.”

U.S. Attorney Matthew M. Graves for the District of Columbia stated that Sterlingov’s conviction “sends an unmistakable message: those who help criminals with online payments for their illegal activities will face serious penalties.” Chief Guy Ficco of IRS-CI and Assistant Director in Charge David Sundberg of the FBI echoed these sentiments, recognising the collaborative efforts that brought Sterlingov to justice.

The conviction was achieved through an extensive international and domestic collaboration involving numerous agencies. The IRS-CI's District of Columbia Cyber Crime Unit and the FBI's Washington Field Office spearheaded the investigation, with critical support from the DOJ's Office of International Affairs and the FBI's Virtual Asset Unit. Additionally, authorities from Japan, Sweden, Denmark, Romania, the United Kingdom, and Europol provided invaluable assistance, illustrating the global reach and impact of the case.

The DOJ's prosecution team included Trial Attorneys Jeff Pearlman and C. Alden Pelker from the Computer Crime and Intellectual Property Section (**CCIPS**) and Special Assistant U.S. Attorney Christopher B. Brown for the District of Columbia. Former and current CCIPS Paralegal Specialists also played crucial roles in managing the case's complexities.

The Sterlingov case sets a powerful precedent for regulating cryptocurrency-based money laundering, particularly in the expanding darknet economy. It underscores that even services operating with high levels of anonymity are within reach of law enforcement's advanced investigative techniques. By imposing severe criminal and financial penalties, the court has highlighted the consequences of facilitating illicit activities through cryptocurrency services and has signalled the potential consequences for those who operate similar "mixing" platforms.

(Source: <https://www.justice.gov/opa/pr/bitcoin-fog-operator-sentenced-money-laundering-conspiracy>)

Enhanced Disclosure Processes Implemented in UK Regulatory Enforcement Following Upper Tribunal Review

On 11 November 2024, the Financial Conduct Authority (**FCA**) in the United Kingdom announced a series of enhancements to its disclosure processes in regulatory enforcement cases. These changes follow recommendations from the Upper Tribunal in the case of *Seiler and others v FCA* [2023] UKUT 00133, where the tribunal suggested that the UK FCA review and improve aspects of its disclosure process to ensure fairness and transparency in regulatory enforcement.

The UK FCA has now completed this review, implementing several key changes that broaden the scope of its disclosure practices and increase support for teams involved in enforcement cases. The improvements are intended to bolster transparency and reduce the potential for any oversights in evidentiary disclosure.

The adjustments to the UK FCA's disclosure processes include:

1. **Broader Approach to Disclosure:** Under the new guidelines, the UK FCA's document review will no longer solely focus on identifying materials that might undermine the case. Instead, the UK FCA will now disclose all material relevant to the facts of a case, including both potentially undermining and supportive documents. This shift aims to minimise the risk of missing any crucial information in disclosure.
2. **Enhanced Training and Quality Assurance:** The UK FCA is increasing the depth of its training on disclosure, providing specialist training for staff responsible for managing and overseeing disclosure exercises. This includes added focus on quality assurance to ensure that documents are accurately reviewed and disclosed according to the new standards.
3. **Clearer Roles and Responsibilities:** In an effort to streamline the disclosure process, the FCA has provided additional clarity on the roles and responsibilities of staff and managers involved in disclosure. This clarification aims to ensure that every team member understands their role in the disclosure process, thereby improving accountability.
4. **Increased Emphasis on Disclosure in Performance Metrics:** Recognising the importance of accurate and complete disclosure, the UK FCA will now factor in disclosure practices as a measure of staff performance. By including disclosure in performance assessments, the UK FCA aims to reinforce its importance and ensure consistent compliance across case teams.

Under the revised standards, the UK FCA is obligated to disclose all documents relied upon in building a regulatory enforcement case, along with any material that might undermine the decision to take action. This obligation is now expanded to include all relevant material, barring instances where disclosure would be disproportionate,

not in the public interest, or otherwise inappropriate. This approach encompasses both potentially undermining material and supportive evidence, creating a more comprehensive disclosure process that reduces the likelihood of omissions.

The UK FCA's goal with these changes is to ensure that disclosure reviews identify all relevant material rather than focusing exclusively on potentially undermining documents. This broader approach aims to provide a more transparent regulatory process, allowing for a balanced view of evidence in enforcement cases.

To assess the effectiveness of these changes, the UK FCA plans to closely monitor its revised disclosure practices over the coming months. A follow-up review is scheduled to take place in approximately 12 months, allowing the UK FCA to evaluate whether additional steps are required to further refine and improve its processes.

(Source: <https://www.fca.org.uk/news/statements/enforcement-regulatory-disclosure-review-outcome>)

ASIC Enforces Financial Reporting Compliance with Optix Australasia Pty Ltd

On 15 October 2024, the Australian Securities and Investments Commission (**ASIC**) issued an **infringement notice** to Optix Australasia Pty Ltd, enforcing compliance with financial reporting obligations under the Australian Corporations Act 2001 (**Cth**). Optix, a small proprietary company ultimately controlled by the South African-listed company KAP Limited, has since paid \$187,800 to comply with this notice.

Optix Australasia Pty Ltd is a small proprietary company operating under the control of KAP Limited, a South African company, through its intermediary SingRisk Pte Ltd since December 2021. Optix's financial year ends on 30 June, aligning with the Australian reporting period. In recent years, Optix has reported several historical non-compliance issues with ASIC, particularly concerning missed deadlines for lodging required financial reports. ASIC's involvement stems from Optix's failure to comply with Australian financial reporting requirements, particularly under its foreign-controlled status, which mandates additional obligations under Australian corporate law. The recent notice specifically addresses a failure to lodge financial reports for the year ending 30 June 2023, leading to ASIC's enforcement action.

The sequence of events leading to this infringement notice began with the establishment of Optix on 5 April 2005 as an Australian proprietary company. On 31 May 2018, SingRisk Pte Ltd, a company incorporated in Singapore, became the sole shareholder of Optix. Subsequently, on 1 December 2021, KAP Limited, a South African corporation, acquired controlling interest in SingRisk, thereby assuming indirect control over Optix. With its financial year ending on 30 June, Optix was required by Australian regulations to prepare and lodge its annual financial and director's reports for the fiscal year ending 30 June 2023.

Despite this requirement, Optix failed to lodge its financial reports with ASIC by the specified deadline of 31 October 2023, marking a breach of Australian section 319(1) of the Corporations Act 2001. In response to this non-compliance, ASIC issued an infringement notice to Optix on 15 October 2024, citing reasonable grounds for the alleged contravention. Subsequently, on 8 November 2024, Optix paid the infringement notice fine of \$187,800. Notably, this payment does not imply an admission of guilt or liability but serves to address the immediate compliance requirements under Australian law.

The Australian legislation breached by Optix relates to the *Australian Corporations Act 2001 (Cth)*, specifically section 319(1), which mandates that small proprietary companies controlled by foreign entities must prepare and lodge annual financial and directors' reports with ASIC. This requirement ensures that financial information of companies with foreign control remains accessible and transparent to Australian regulators. The notice was issued under Section 1317DAM of the *Australian Corporations Act 2001*, which empowers ASIC to enforce such breaches through monetary penalties.

ASIC's Regulatory Guide 58: Reporting by registered foreign companies and Australian companies with foreign shareholders provides detailed guidance on financial reporting obligations for companies under foreign control and the possible relief mechanisms available under specific circumstances. However, Optix did not apply for this relief by submitting the necessary Form 382 or Form 384, which would have granted reporting and audit relief under Australian regulatory provisions.

The infringement notice issued by ASIC seeks to compel Optix to comply with Australian financial reporting standards, which maintain corporate transparency, especially for foreign-controlled entities operating within Australia. Optix's payment of the notice addresses immediate compliance requirements, allowing it to avoid further legal proceedings and potential criminal penalties, which could have amounted to \$375,600 under Australian law. While Optix's payment addresses these requirements, ASIC has clarified that this enforcement action reflects the regulatory body's commitment to ensuring accountability among foreign-controlled entities under Australian jurisdiction.

Optix may still request an extension for the payment period or apply for a payment arrangement. Additionally, it may seek withdrawal of the infringement notice within 28 days if it believes there are valid grounds. ASIC's stance in this matter underscores the importance of compliance with Australian corporate regulations, particularly for entities with complex international ownership structures, to uphold Australia's financial reporting standards.

This case involving Optix Australasia Pty Ltd is not directly related to cryptocurrency, Bitcoin, or any specific financial instrument within the crypto domain. Instead, it pertains to financial reporting compliance under Australian corporate law for a foreign-controlled proprietary company. The Australian Securities and Investments Commission issued the infringement notice due to Optix's failure to lodge financial reports within the legally required timeframe, as stipulated in the Australian Corporations Act 2001.

(Source: <https://download.asic.gov.au/media/ftnfchjb/infringement-notice-optix-b00769264.pdf>)

Singapore's Parliamentary Response on Security and Fraud Liability in Digital Banking for Minors

On 12 November 2024, during a parliamentary session, Deputy Prime Minister and Chairman of the Monetary Authority of Singapore, Mr Gan Kim Yong, provided a detailed response to questions raised by Ms He Ting Ru, Member of Parliament for Sengkang GRC. The questions centred on the security protocols and fraud liability protection measures implemented by banks for digital accounts operated by minors under 16 years of age. In his response, Mr Gan clarified the specific safeguards, parental responsibilities, and remediation processes for unauthorised transactions on minor-operated accounts, underscoring a framework designed to protect young account holders.

Accounts for children under 16 can only be opened by a parent on behalf of the child, either as a joint account with parental control or a sole account in the child's name. The parental role is pivotal, with parents authorised to monitor and manage account activities closely:

- **Joint Accounts:** In a joint account arrangement, the parent retains full operational control and oversight, allowing them to supervise account transactions actively.
- **Sole Accounts for Minors:** For accounts opened solely in the child's name, banks impose additional safeguards, including lower default daily transaction limits, typically set between \$50 and \$100, which can be further reduced by the parent. Banks also facilitate parental supervision by allowing parents to monitor transactions via internet or mobile banking and to receive real-time alerts for any outgoing transactions or changes to the account's transaction limits and personal particulars.

Mr Gan stated that the decision to open, close, or modify the transaction limits of a child's account rests with the parents, who bear the primary responsibility for managing their child's financial activities. This arrangement allows parents to introduce their children to financial management in a controlled environment before they reach the age of 16 and are eligible to manage a sole account independently.

All bank accounts, including those for minors, are protected by security protocols against unauthorised transactions. Apart from real-time transaction alerts, banks provide an emergency "kill switch" that either the parent or the child can activate to block all online payments from the account, adding an immediate layer of control in cases of suspected fraud.

Should unauthorised transactions occur, the Shared Responsibility Framework applies to accounts operated by minors, as it does to all other bank accounts. This framework delineates the responsibilities of financial institutions and telecommunications providers in minimising risks associated with phishing scams. Under this framework, if a bank fails to meet its obligations, it is expected to compensate affected victims of scams, regardless

of the account holder's age. In situations where duties under the framework are not breached, banks may still consider making payouts under their goodwill provisions, taking into account the specific circumstances of each case.

When an unauthorised transaction involving a minor-operated account is reported, banks are required to respond promptly. Investigation timelines are standardised across all accounts, including those for minors, ensuring swift action. Banks are expected to conclude investigations within 21 business days for straightforward cases and 45 business days for more complex cases.

(Source: <https://www.mas.gov.sg/news/parliamentary-replies/2024/pq-on-digital-banking-and-fraud-liability-protection-for-minors>)

ASIC Reinforces Consumer Confidence in Australian Credit System with Focus on Fair Outcomes

On 13 November 2024, ASIC Deputy Chair Sarah Court delivered an address at the Australian Financial Security Authority Summit. In her remarks, she highlighted ASIC's commitment to supporting confidence in the Australian credit system, with an emphasis on protecting financially vulnerable consumers from predatory practices and unfair outcomes. Court underscored ASIC's regulatory focus on compliance within the credit sector and explained how ASIC's targeted interventions, particularly in financial hardship cases, serve as key mechanisms to protect consumer interests.

ASIC holds a central role in promoting integrity and fair outcomes in the Australian credit system. Its regulatory mandate includes overseeing entities within the consumer credit sector, with the goal of encouraging compliance and accountability across the industry. ASIC accomplishes this by promoting a culture of adherence to the Australian regulatory framework, including compliance with the *National Consumer Credit Protection Act 2009 (Cth)* and other applicable statutes. This approach seeks to ensure that consumer rights are protected, particularly when companies attempt to circumvent obligations under Australian law. Court noted that ASIC's role as a steward of the Australian credit system relies on identifying significant sources of consumer harm and addressing them through regulatory oversight, industry guidance, and, where necessary, enforcement action.

In mid-2023, ASIC began receiving indicators of rising financial hardship among Australian consumers, alongside preliminary evidence that several large lenders were not meeting their legal obligations to consumers in distress. In response, ASIC initiated a multi-step engagement with the credit industry to assess and enhance compliance with financial hardship requirements under Australian law.

In August 2023, ASIC issued an open letter to Australian lenders, reiterating its expectations for compliance with hardship obligations. Subsequently, ASIC conducted a comprehensive data collection effort, involving over 900,000 hardship notices from 30 lenders covering approximately half a million credit accounts over two years. To deepen its review, ASIC focused on 10 specific home lenders, analysing data, reviewing individual case studies, and conducting site visits. This scrutiny revealed that many lenders were not adequately informing consumers of their hardship options, and, in some instances, were failing to recognise consumer requests for hardship assistance altogether. The review's findings were published in ASIC's May 2024 report, *'Hardship, hard to get help: Lenders fall short in financial hardship support'* (REP 783), which identified critical deficiencies in how lenders manage hardship notices.

Following the report, ASIC required each reviewed lender to develop and submit an action plan for addressing these deficiencies. ASIC continues to monitor these entities and may pursue further regulatory actions if it detects ongoing issues with consumer hardship support. Concurrent with this initiative, ASIC launched the *Just Ask* campaign on its Moneysmart platform to empower consumers by raising awareness of their rights regarding hardship notifications.

ASIC also initiated civil proceedings in September 2023 against Westpac in the Australian Federal Court, alleging that the bank had failed to respond to multiple customer hardship notices within the timeframe required under Australian law. This action underscores ASIC's determination to enforce hardship obligations where non-compliance adversely impacts consumers.

Court expanded on ASIC's enforcement strategy, describing it as a tool to both remedy specific instances of misconduct and signal broader deterrence across the credit industry. ASIC annually announces its enforcement priorities, and Court confirmed that as long as consumer harm remains evident in the credit sector, it will remain a key focus. ASIC is particularly vigilant against business models that circumvent consumer protections, with several court cases underway to address such conduct.

Among the recent cases is one against Oak Capital, which ASIC alleges engaged in systemic unconscionable conduct by structuring loans to avoid consumer protections under Australian law. In this case, Oak Capital allegedly required borrowers to structure loans as business loans, despite being personally secured by consumers' homes, thereby bypassing hardship rights and responsible lending obligations afforded under Australian law.

Another significant case involves Rent4Keeps, where ASIC prevailed in Federal Court, establishing that the company's "consumer lease" arrangements—designed to fall outside credit regulation—were in fact credit contracts subject to the *National Consumer Credit Protection Act 2009 (Cth)*. This finding exposed Rent4Keeps' consumers to inflated charges, in violation of legal interest rate caps and protections that ASIC argued should have applied.

ASIC's recent enforcement action extends to unlicensed lending by car dealerships and misconduct by debt management firms. Another notable case was ASIC's successful action against Harvey Norman and Latitude Finance Australia, where the court found misleading conduct related to advertising for a 60-month interest-free option, which masked the fact that consumers were obligated to sign up for credit cards and incur additional fees.

In conclusion, Court articulated that the ultimate aim of ASIC's efforts is to foster confidence in the Australian credit system. Instances of consumer harm, including unreasonably high debt or hidden fees, not only damage individual trust but also diminish confidence in the system as a whole. Court emphasised the importance of a culture of compliance, noting that it is far more sustainable—and beneficial to the industry and consumers alike—than remediation after the fact.

ASIC's ongoing collaboration with other Australian regulators, such as AFSA, APRA, and the ATO, is integral to creating a resilient credit system that meets community expectations. Court's address reflects ASIC's commitment to supporting a fair, transparent, and accountable credit environment, positioning consumer protection as a central tenet of ASIC's regulatory approach.

(Source: <https://asic.gov.au/about-asic/news-centre/speeches/supporting-confidence-in-our-credit-system-through-good-consumer-outcomes/?altTemplate=betanewsroom>)

Singapore Parliament Addresses Complaints and Regulatory Oversight for Financial "Finfluencers"

On 13 November 2024, in response to a parliamentary question, Mr Alvin Tan, Minister of State for the Ministry of Trade and Industry and the Ministry of Culture, Community and Youth, addressed issues regarding online financial influencers, often known as "finfluencers," who share finance-related content on social media. Speaking on behalf of Deputy Prime Minister and Chairman of the Monetary Authority of Singapore (MAS), Mr Gan Kim Yong, Mr Tan outlined regulatory expectations for finfluencers and provided insights into recent complaints, enforcement actions, and possible legislative considerations.

Finfluencers, as Mr Tan explained, are individuals who utilise social media to provide tips, advice, and insights on finance-related subjects such as investing, budgeting, and saving. These individuals play a growing role in digital financial education and influence, engaging a wide audience with their content. MAS expects that any financial institutions that employ finfluencers for promotional purposes ensure that the content shared is clear, balanced, and accurately reflects both the benefits and risks associated with financial products.

When finfluencers move beyond general educational content to offering specific financial advice, they fall under the purview of the Singapore's Financial Advisers Act (FAA). According to MAS guidelines, any individual who receives payment for providing recommendations or opinions on buying, selling, or holding financial products is regarded as offering financial advice and must therefore be licensed. Even if a influencer is unpaid, they may still be considered to be providing financial advice if they consistently share specific recommendations or opinions on investments. In contrast, general educational content on financial topics is not classified as financial advice and does not require regulatory oversight.

Over the past five years, MAS has received an average of fewer than five complaints per year regarding the conduct of influencers. Most of these complaints relate to remarks made by influencers who did not provide any regulated financial advice, and therefore were not subject to MAS regulation. This relatively low level of complaints indicates that while influencers are highly visible, they are largely adhering to content boundaries that keep them outside the scope of financial advice regulation.

MAS and the Commercial Affairs Department are committed to enforcing licensing requirements for financial advice. Over the past three years, enforcement actions were taken against six individuals who were found to be providing unlicensed financial advice; none of these cases involved influencers. This demonstrates a clear regulatory stance: individuals offering unlicensed financial advice, whether online or otherwise, will face enforcement action, ensuring the integrity of financial advice standards in Singapore.

While complaints against influencers remain minimal and largely non-advisory in nature, the Ministry is vigilant in monitoring this growing sector. MAS's approach thus far focuses on clear guidelines and rigorous enforcement against unlicensed financial advisory activities, helping maintain the quality and reliability of financial advice available to the public.

MAS upholds a clear distinction between general financial education and regulated financial advice, allowing influencers to operate within educational boundaries while ensuring that specific investment recommendations remain the domain of licensed advisors. Through continued oversight, MAS and the Commercial Affairs Department will monitor and enforce the requirements under the Financial Advisers Act to ensure compliance and uphold trust in Singapore's financial advice framework.

(Source: <https://www.mas.gov.sg/news/parliamentary-replies/2024/pq-on-complaints-against-online-influencers>)

Singapore FinTech Festival 2024 Concludes with Record 65,000 Participants from 134 Countries

On 13 November 2024, The Monetary Authority of Singapore published the updates of the ninth edition of the Singapore FinTech Festival wrapped up on 8 November 2024, attracting a record-breaking 65,000 participants from 134 countries and regions. The annual event has solidified its reputation as one of the world's premier gatherings for financial technology, bringing together policymakers, regulators, investors, industry leaders, and innovators to discuss critical issues shaping the future of global finance.

Singapore FinTech Festival 2024 showcased a range of specialised zones and targeted forums designed to foster insights, innovation, and collaboration across diverse areas of the financial technology landscape. Major highlights included:

The invite-only Insights Forum convened over 2,300 influential figures, including policymakers, regulators, investors, and industry leaders, for in-depth discussions across 40 roundtables. This year's agenda covered topics such as the future of financial infrastructure, the role of technology in sustainable finance, and pathways to achieving global net-zero targets. These sessions aimed to encourage strategic thinking and policy innovation among decision-makers in finance and technology.

Over 3,400 representatives from 665 central banks, regulatory institutions, and government agencies took part in the Regulation Zone, discussing key developments in Artificial Intelligence (AI) solutions, quantum research in finance, cross-border data flow, and the growth of digital assets. This zone underscored the commitment of global regulatory bodies to engage with emerging technologies that are reshaping the financial sector.

Featuring 64 sessions, the Technology Zone explored cutting-edge advancements in AI and quantum technologies, blockchain, and e-commerce applications. These sessions highlighted the real-world impact of these technologies, presenting innovations across sectors and underlining their potential to drive economic transformation.

The Founders and Investors Zone facilitated over 580 meetings between startup founders and investors during Investor Hours, creating opportunities for meaningful capital engagement and partnership. This zone served as a catalyst for new ventures, enabling early-stage businesses to connect with investors keen to support groundbreaking fintech solutions.

Singapore FinTech Festival 2024's Talent Zone delivered 180 mentorship sessions and certification programmes in collaboration with academic partners. These initiatives focused on building a future-ready talent pipeline for the fintech sector, ensuring that emerging professionals possess the skills needed to thrive in an evolving digital economy.

Sustainability remained a core theme with the launch of Gprnt's inaugural Disclosure and Marketplace offerings in the ESG Zone. These tools aim to simplify sustainability reporting for businesses and connect them to solutions supporting decarbonisation efforts, highlighting Singapore FinTech Festival's commitment to promoting environmental, social, and governance principles in finance.

The Singapore FinTech Festival organising team expressed its sincere appreciation to all sponsors, speakers, partners, and attendees for contributing to the success of Singapore FinTech Festival 2024. The event's impact reflects a collective commitment to shaping the future of fintech through collaboration, innovation, and responsible growth.

Looking ahead, the Singapore FinTech Festival will celebrate its 10th anniversary from 12 to 14 November 2025. This milestone event promises to continue driving meaningful progress in the fintech sector and fostering collaboration within the global finance and technology community. The Insights Forum will be held over two days, from 10 to 11 November 2025, marking a decade of influential discussions and forward-thinking initiatives. The 10th edition of Singapore FinTech Festival is poised to welcome participants from around the world to commemorate a decade of growth and innovation, reinforcing Singapore's role as a global hub for fintech and financial policy development.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/singapore-fintech-festival-2024-attracts-65000-participants>)

United States Securities and Exchange Commission Imposes \$1 Million Penalty on Stoner Cats 2, LLC for Unregistered NFT Offering

On 13 November 2024, the United States Securities and Exchange Commission issued an **Order** appointing fund administrator, setting administrator's bond amount, and authorizing the approval and payment of fees and expenses of administration. Initially, on 13 September 2023, the United States Securities and Exchange Commission initiated cease-and-desist proceedings against Stoner Cats 2, LLC, a company known for its production and sale of animated series-related non-fungible tokens (NFTs). The United States Securities and Exchange Commission found that Stoner Cats 2 had conducted an unregistered offering of crypto asset securities through the sale of Stoner Cats NFTs on 27 July 2021.

Stoner Cats 2, LLC is the entity behind the "Stoner Cats" animated series. To fund the project, Stoner Cats 2 offered 10,320 NFTs to the public, each priced at 0.35 ETH, approximately \$800 at the time. The entire offering sold out within 35 minutes, yielding gross proceeds in Ethereum valued at approximately \$8.2 million. Despite the significant financial and promotional success, the United States Securities and Exchange Commission determined that the sale of these NFTs constituted an unregistered securities offering, as Stoner Cats 2 did not register the NFT sale with the United States Securities and Exchange Commission, nor did it qualify for any exemption from registration.

On 27 July 2021, Stoner Cats 2 launches its NFT sale, offering 10,320 tokens related to its animated series. On 13 September 2023, the United States Securities and Exchange Commission issues an order instituting cease-and-desist proceedings against Stoner Cats 2 for violating securities registration requirements. On 13 November 2024, the United States Securities and Exchange Commission formalizes the appointment of Epiq Class Action and Claims Solutions, Inc. as the fund administrator responsible for distributing a Fair Fund created from the penalties collected from Stoner Cats 2.

The United States Securities and Exchange Commission found Stoner Cats 2 in violation of Sections 5(a) and 5(c) of the United States Securities Act of 1933. Section 5(a) mandates that entities must register securities offerings with the United States Securities and Exchange Commission before making them available to the public, while Section 5(c) prohibits the solicitation of securities without a registration statement in effect. The United States Securities and Exchange Commission deemed the Stoner Cats NFTs as "crypto asset securities," subject to the same regulatory standards as traditional securities, resulting in a \$1 million civil penalty for Stoner Cats 2.

To redress the impact on investors, the United States Securities and Exchange Commission established a Fair Fund under Section 308(a) of the United States Sarbanes-Oxley Act of 2002. The Fair Fund, sourced from the \$1 million penalty, will be distributed among affected investors through a designated account managed by the United States Department of the Treasury. Epiq Class Action and Claims Solutions, Inc., approved by the United States Securities and Exchange Commission, were appointed to administer the fund distribution. The fund administrator's expenses and fees will be paid from the Fair Fund, capped at a pre-approved budget.

This United States Securities and Exchange Commission action against Stoner Cats 2 shows the Commission's stance on NFTs and crypto assets that resemble traditional securities. The United States Securities and Exchange Commission has asserted its regulatory authority over NFTs offered with characteristics akin to investment contracts, thus subjecting them to securities laws. For entities involved in crypto and NFT offerings, this case signals that unregistered securities sales, even if packaged as digital or creative assets, may face strict enforcement actions if they exhibit characteristics aligning with securities definitions under United States law.

The United States Securities and Exchange Commission's enforcement actions are often based on the underlying features of the crypto asset offerings. In the case of Stoner Cats NFTs, the United States Securities and Exchange Commission highlighted the following factors that qualified the NFTs as securities:

Expectation of Profit: Investors were likely motivated by the potential for increased resale value of the NFTs, suggesting profit-oriented intent.

Common Enterprise: The funds raised by Stoner Cats 2 were pooled to finance the animated series, creating a common enterprise where the NFT buyers' fortunes were intertwined with the project's success.

Promotional Efforts: Stoner Cats 2 emphasized the scarcity and resale potential of the NFTs, which likely contributed to the perception of these tokens as investments rather than collectibles.

(Source: <https://www.sec.gov/files/litigation/admin/2024/34-101610.pdf>, <https://www.sec.gov/newsroom>)

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