

ALABAMA SECURITIES COMMISSION

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Four State Securities Regulators File Enforcement Actions to Stop Sales of Fraudulent NFT Investments tied to the Metaverse

MONTGOMERY, ALABAMA (October 20, 2022) - Four state securities regulators filed coordinated enforcement actions to stop sales of non-fungible tokens, often referred to as NFTs, by an organization in the country of Georgia. The actions accuse Slotie NFT (“[Slotie](#)”) of illegally and fraudulently selling NFTs to raise capital relating to gaming in online and metaverse casinos. The actions were filed by the Alabama Securities Commission, Kentucky Department of Financial Institutions, New Jersey Bureau of Securities, and the Texas State Securities Board.

According to the Cease and Desist Order filed by the Alabama Securities Commission, Slotie issued the NFTs in a manner that is similar to the offer and sale of stock and other equities. The Slotie NFTs provide investors with ownership interests in the casinos and the right to passively share in the profits of the casinos. NFTs that contain rarer traits, and are more unique, allegedly provide more income than NFTs consisting of more common traits. Investors that own two Slotie NFTs plus a Ethereum blockchain token can mint, or create, a new NFT in a process that Slotie refers to as “breeding.” The new NFT, referred to as Slotie Junior NFTs purportedly double the profits paid to owners and entitles investors to ownership of land in the metaverse.

The state securities regulators allege violations of state securities laws and found that Slotie was illegally and fraudulently dealing in Slotie NFTs and Slotie Junior NFTs. According to the Orders, Slotie concealed material information from investors, including its assets and liabilities, its anticipated use of capital, and key risks tied to NFTs and metaverses.

State securities regulators have taken the lead in warning investors about emerging investment schemes tied to the metaverse. Although blockchain technology, digital assets and metaverses are generating widespread public interest, bad actors are now leveraging their interest to perpetrate fraudulent schemes. State securities regulators recently filed enforcement actions to stop similar illegal offerings promoted by Flamingo Casino Club and Sand Vegas Casino Club. These recent enforcement actions also involved organizations illegally raising capital for online and metaverse casinos.

The Alabama Securities Commission coordinated the investigation and the filing of enforcement actions. The four state securities regulators can be contacted through the following means:

Alabama Securities Commission: (Website: www.asc.alabama.gov , Contact Amanda Senn by phone at 334-242-2984 or by email at amanda.senn@asc.alabama.gov)

Kentucky Department of Financial Institutions: (Website: <https://kfi.ky.gov/> , Contact Marni Gibson by phone at 502-573-3390 or by email at KFI@ky.gov)

New Jersey Bureau of Securities: (Website: www.njsecurities.gov , Contact Lisa Coryell by email at OAGPress@njoag.gov

Texas State Securities Board: (Website: www.ssb.texas.gov , Contact Joseph Rotunda by phone at 512-689-4623 or by email at jrotunda@ssb.texas.gov)

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