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State Securities Regulators Target Metaverse Casino

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Articles

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State securities regulators from Kentucky, New Jersey, Texas, and Alabama have issued cease and desist orders against Slotie, a Metaverse casino developer located in the country of Georgia. Regulators allege that the non-fungible tokens (NFTs) Slotie offers to investors are securities and that the ongoing sale of these NFTs constitute an ongoing unregistered issuance of securities.

Slotie opened its virtual doors in 2021 and has since sold NFTs, ostensibly to fund the buildout and maintenance of its casino infrastructure and experience. To date, there are 10,000 outstanding Slotie NFTs, each of which permit holders to share in the profits of the enterprise—a hallmark of investment contracts under the *Howey* test.

Of the 10,000 NFTs issued, 5,000 are public. The remaining 5,000 are eligible for a complicated upgrading process called “breeding.” Here’s how the breeding scheme works:

Holders of Slotie NFTs receive 10 WATT tokens a day (WATT are the digital asset tokens that can be used to generate new NFTs).

1. Once a holder obtains 2 Slotie NFTs and 1,800 WATT, the tokens can be used to generate a distinct class of NFT—Slotie Junior. This

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