

New York AG proposes landmark crypto law, citing 'dysfunction'

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New York Attorney General Letitia James proposed a state law to tighten rules over cryptocurrency companies in her latest swing at an industry she claims is suffering from "rampant fraud and dysfunction."

Under her proposal, New York would require independent public audits of crypto exchanges and bar people from owning both brokerages and tokens to prevent conflicts of interest. In a statement Friday, James called her proposal "the strongest and most comprehensive set of regulations on cryptocurrency in the nation."

The measures, which first need to be adopted by state lawmakers, also would require crypto platforms to reimburse customers who are victims of fraud and strengthen the authority of the New York State Department of Financial Services to regulate [digital assets](#), according to the statement.

"Millions of investors have lost hundreds of billions in the value of their cryptocurrency investments because of rampant fraud, including market manipulation, hacking, and opaque business practices," James said.

According to the attorney general, her proposal will be submitted to lawmakers for the 2023 legislative session.

The push for stricter rules comes a few months after James sued crypto platform CoinEx and KuCoin, one of the largest and most popular crypto exchanges, alleging they failed to properly register their activities. Another suit against crypto companies Nexo Inc. and Nexo Capital Inc. resulted in a settlement in January of up to \$24 million for New York and nine other states.

CRPTO Act

The attorney general's propose legislation—dubbed Crypto Regulation, Protection, Transparency, and Oversight (CRPTO)—would also prevent crypto brokers and marketplaces from trading in their own accounts and prohibit brokers from borrowing or lending customer assets, according to the statement.

"Rampant fraud and dysfunction have become the hallmarks of cryptocurrency and it is time to bring law and order to the multi-billion-dollar industry," James said in the statement. "New York investors should have the peace of mind that there are safeguards in place to protect them and their money."

James has frequently said she aims to reign in the crypto industry to prevent abuses. Her suit against KuCoin is among the first to claim that Ether, the second-largest crypto token by value, is a security. The question of what crypto assets regulators consider to be securities—and thus subject to jurisdiction by the US Securities and Exchange Commission—is being interrogated on multiple fronts and is the subject of active litigation.

The [attorney general](#) has said that protecting consumers from wrongdoing in the crypto industry is a key goal and part of her overall mandate to protect all state residents, particularly vulnerable ones.

"While there are millions of investors who have lost significant investments because of these failures, lower income [investors](#) and people of color have been disproportionately harmed by the risks of [crypto](#)," she said.

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