



Legislation Text

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Res. No. 647

Resolution calling on the New York State Legislature to pass, and the Governor to sign, the Crypto Regulation, Protection, Transparency, and Oversight Act to strengthen regulation of the cryptocurrency industry and protect investors.

By Council Members Won, Louis, Hanif and Hudson

Whereas, Cryptocurrency is a digital currency in which virtual coins are minted, transactions are verified and records maintained by a decentralized system using cryptography principles, rather than a central bank; and

Whereas, The cryptocurrency sector has grown dramatically since its inception in 2009 and there are now more than 24,000 different cryptocurrencies with a market capitalization of over one trillion dollars, according to CoinMarketCap; and

Whereas, Companies market cryptocurrency to low-income, Black, and Latino or Hispanic communities as a means of financial inclusion and wealth generation by emphasizing low barriers to entry and promises of high returns, according to the Brookings Institution; and

Whereas, According to a survey by NORC at the University of Chicago, nearly 44 percent of Americans who own and are trading crypto are people of color and over 35 percent have household incomes under \$60,000 annually; and

Whereas, Compared with the traditional financial system, cryptocurrency is very lightly regulated, and U.S. Securities and Exchange Commission Chairman Gary Gensler has characterized the sector as a “Wild West” due to its lack of investor protections; and

Whereas, The lack of regulation makes cryptocurrency investors vulnerable to fraud, hacks, scams and

abuse and enables illicit activity by cybercriminals, drug cartels, money launderers, and terrorist organizations; and

Whereas, Conflicts of interest are widespread in the cryptocurrency sector and many operators of virtual currency trading platforms are themselves heavily invested in virtual currencies and trade on their own platforms without oversight; and

Whereas, Many cryptocurrency trading exchanges have few, if any, rules about insider trading and are not appropriately monitored for market manipulation or other harmful trading activity; and

Whereas, The cryptocurrency market is extremely volatile, with dramatic price fluctuations in 2022 causing two trillion dollars in losses and leading numerous firms in the sector to file for bankruptcy, losing billions of dollars in investments with no recourse for customers, according to Bloomberg; and

Whereas, According to the Joint Economic Committee, 2022 set records for the scale of cryptocurrency theft and fraud, with more than \$3 billion lost in hacks of exchanges and even more lost through digital asset versions of securities schemes such as “pump and dumps” and “rug pulls;” and

Whereas, At a February 2023 City Council hearing, Queens District Attorney Melinda Katz testified that her office has seen an increase in cryptocurrency crimes and scams, prompting her to create a Cyber Crime Unit within the Major Economic Crimes Bureau; and

Whereas, New York City is the financial center of the world, and likewise is a hub for innovation in the cryptocurrency industry with many companies and startups focused on cryptocurrency operating within the city; and

Whereas, Greater regulation of the cryptocurrency sector could help reduce speculation, protect investors, improve consumer confidence, and provide a safe space for innovation to continue; and

Whereas, On May 5, 2023, New York State Attorney General announced the Crypto Regulation, Protection, Transparency, and Oversight (CRPTO) Act; and

Whereas, The CRPTO Act would require cryptocurrency companies to meet many of the same

registration, disclosure, audit and business conduct rules as the traditional finance industry; and

Whereas, The CRPTO Act would help eliminate conflicts of interest by prohibiting common ownership of cryptocurrency issuers, marketplaces, brokers, and investment advisers as well as banning brokers from borrowing or lending customer assets; and

Whereas, The CRPTO Act would better protect investors and prevent money laundering or other illegal activity by requiring brokers to know essential facts about their customers and requiring platforms to reimburse customers who are the victims of unauthorized asset transfers and transfers resulting from fraud; now, therefore, be it

Resolved, That the Council of the City of New York calls on the New York State Legislature to pass, and the Governor to sign, the Crypto Regulation, Protection, Transparency, and Oversight Act to strengthen regulation of the cryptocurrency industry and protect investors.

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