



April 24, 2018

## NEW YORK ATTORNEY GENERAL INITIATES INQUIRY INTO MAJOR VIRTUAL CURRENCY EXCHANGES

On Tuesday April 17, the New York Attorney General (NY-AG) launched the Virtual Markets Integrity Initiative (Initiative), a fact-finding inquiry in which the NY-AG's office sent letters to 13 major virtual currency trading platforms (Platforms) requesting key information about their operations. The NY-AG stated that the goal of the Initiative is to promote the accountability and transparency in the virtual currency marketplace.

The letters included a three-page questionnaire with 34 requests for information, including trading policies and procedures, operating processes and internal controls used by the Platforms. The Platforms that received the Initiative questionnaires include Coinbase, Gemini Trust Company and BitFlyer USA. In the press release announcing the Initiative, the NY-AG stated that the Platforms are a key point of entry into the virtual currency market for professional and retail investors, and ensuring that enforcement agencies, investors and consumers have the information they need to understand the practices and risks of the Platforms is critical.

New York regulators have not been shy on expressing their view on virtual currencies. In 2015, the New York Department of Financial Services issued a final rule requiring virtual currency companies to obtain "BitLicenses" if it engages in virtual currency business activity involving New York State or persons that reside, are located, have a place of business or are conducting business in New York. See our prior ALERTS dated February 20, 2015 and August 20, 2014.

During the first few months of 2018, federal and state regulators have issued opinions and shown interest in regulating virtual currency companies. We previously reported on the federal and state regulatory climate involving initial coin offerings. See our prior ALERT dated March 28, 2018. We will continue to provide updates as this rapidly evolving area continues to change. □

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