

DFS CONTINUES TO FOSTER RESPONSIBLE GROWTH IN NEW YORK'S FINTECH INDUSTRY WITH NEW VIRTUAL CURRENCY PRODUCT APPROVALS

Financial Services Superintendent Maria T. Vullo today announced that the Department of Financial Services (DFS) has authorized Gemini Trust Company LLC and Paxos Trust Company LLC and to each offer a price-stable cryptocurrency – commonly known as “stablecoin” – pegged to the U. S. dollar. As part of the approval of these new products, DFS has established required conditions to ensure that each trust company maintains robust policies and procedures to address risks and apply New York’s strong standards and regulations regarding anti-money laundering, anti-fraud, and consumer protection measures.

Department of Financial Services Superintendent Maria T. Vullo said, “As the financial technology marketplace continues to evolve, New York is committed to fostering innovation while ensuring responsible growth. These approvals demonstrate that companies can create change and strong standards of compliance within a strong state regulatory framework that safeguards regulated entities and protects consumers.”

DFS issued a limited purpose trust company charter to Gemini in October 2015 to operate a virtual currency exchange through which it offers customers services for buying, selling, sending, receiving, and storing virtual currency. DFS issued a limited purpose trust company charter in May 2015 to itBit, now Paxos Trust Company, which operates the itBit exchange, to offer services for buying, selling, sending, receiving, and storing virtual currency.

Tyler Winklevoss, Chief Executive Officer, Gemini Trust Company, LCC said, “To date, there has been no trusted and regulated digital representation of the U.S. dollar on the blockchain. We are excited to bring the Gemini dollar to market, a stablecoin that combines the creditworthiness and price stability of the U.S. dollar with blockchain technology and the oversight of the NYDFS.”

“This is a very exciting time and we thank the DFS and Superintendent Vullo,” **said Charles Cascarilla, CEO and co-founder of Paxos.** “With Paxos Standard, we hope to enable a truly frictionless, global economy by offering a token that is stable, fast, redeemable, audited, and most importantly, approved and regulated. This is a digital asset that can be trusted.”

The approvals granted by DFS today follow a comprehensive and rigorous review of both applications and are subject to significant regulatory conditions all of which will be subject to examination and inspection by DFS examiners as well as independent consultants to ensure that important protections for New York markets and consumers are being met. The approvals are based on stringent requirements for these products, and already required of both Gemini and Paxos, including requirements to:

- Ensure that authorized stablecoins are fully exchangeable for a U.S. dollar, with conditions to ensure monitoring and recordkeeping.
- Implement, monitor and update effective risk-based controls and appropriate BSA/AML and OFAC controls to prevent the Gemini Dollar or Paxos Standard Token from being used in connection with money laundering or terrorist financing.
- Implement, monitor and update effective risk-based controls to prevent and respond to any potential or actual wrongful use of stablecoin, including but not limited to its use in illegal activity, market manipulation, or other similar misconduct, as required by DFS’s February 7, 2018, “**Guidance on Prevention of Market Manipulation and Other Wrongful Activity**”.
- Compliance with DFS’s transaction monitoring and cybersecurity regulations.
- Post terms and conditions in a prominent location on both Gemini’s and Paxos’s respective websites, and in any other form or manner required by DFS, that warns consumers that:
 - Any stablecoin and/or the fiat currency available upon redemption of any stablecoin may be forfeited if the stablecoin has been, or is being used for, illegal activity
 - Any stablecoin may be subject to forfeiture to, or seizure by, a law enforcement agency in the event that there is a legal order or other legal process
 - Any stablecoin or fiat currency available upon exchange of stablecoin that has been subject to freezing, forfeiture to or seizure by a law enforcement agency, and/or subject to any similar limitation on its use, may be wholly and permanently unrecoverable and unusable and may, in appropriate circumstances, be destroyed
- Maintain policies and procedures for consumer protection and to promptly address and resolve customer complaints.

Both Paxos and Gemini are subject to charter revocation by DFS, among other regulatory and/or enforcement actions, for failing to comply with any of the provisions of DFS’s approval.

Additional information regarding DFS’s regulation of New York’s virtual currency marketplace can be found [here](#).