STATE OF NEW YORK

7824

2025-2026 Regular Sessions

IN SENATE

May 9, 2025

Introduced by Sen. LIU -- read twice and ordered printed, and when printed to be committed to the Committee on Codes

AN ACT to amend the penal law, in relation to establishing certain offenses relating to crypto fraud

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Title K of the penal law is amended by adding a new article 191 to read as follows:

ARTICLE 191
CRYPTO FRAUD

Section 191.00 Definitions.
191.05 Penalties.
191.10 Virtual token fraud.
191.15 Illegal rug pulls.
191.20 Private key fraud.

§ 191.00 Definitions.

For purposes of this article, the following terms shall have the following meanings:

1. "Virtual tokens" shall mean digital assets that exist on a blockchain;

2. "Class" shall mean a group of fungible or non-fungible tokens, irrespective of the amount created, that is intended by the developer to be:

(a) in the case of fungible tokens, valued and exchanged together; or

(b) in the case of non-fungible tokens, regarded as part of the same group of digital or physical items or valued together with the developers' other non-fungible tokens based on the fact that the non-fungible tokens were created by a certain developer, taking into account the developer's notoriety, sale volume, and how the developer is regarded within virtual token communities;

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD09350-03-5

3. (a) "Developer" shall mean any person or entity that exercises significant influence or control over the creation, design, implementation, or core functionality of a virtual token through:

(i) creating or substantially contributing to the technical code, smart contracts, or protocols that define the token's functionality;

(ii) having decision-making authority over significant technical changes or upgrades to the token or its underlying protocol; or

(iii) being publicly identified as the founding team creator, or primary development team for the token;

(b) The term "developer" shall not include persons who:

(i) merely provide technical services under the direction of others;

(ii) are passive investors who acquire tokens but do not participate in development; or

(iii) contribute to open-source protocols through non-core development in a decentralized manner;

4. "Non-fungible token" shall mean a virtual token used to denote on the blockchain ownership of any digital or physical item or any derivative means thereof;

5. "Fungible token" shall mean any virtual token stored on the blockchain other than non-fungible tokens;

6. "Own", "owning" and "ownership" shall mean the means by which possession of a digital asset is noted on the blockchain or any derivative means thereof;

7. "Wallet" shall mean a device, program, or service which stores the public and/or private keys for virtual token transactions;

8. "Burning" shall mean any method of someone making tokens inaccessible to any person including themself with the intention of doing so;

9. (a) "Rug pull" shall mean the act of a developer with respect to a class of virtual tokens where such developer, with intent to defraud:

(i) creates material misrepresentations or omissions regarding the development, utility, or intended purpose of the virtual tokens; and

(ii) subsequently sells a significant portion of their token holdings or abandons the project without delivering the promised functionality or utility, causing a substantial loss in token value primarily as a result of such actions rather than general market conditions;

(b) A sale of virtual tokens by a developer shall not constitute a rug pull where the developer:

(i) sells their token holdings pursuant to a token sales plan that is disclosed at the time the class of virtual tokens is first made available to persons other than developers through a transparent vesting schedule or similar public declaration; or

(ii) the developer's token sales occur at intervals and in amounts consistent with reasonable business operations and ongoing project development;

10. "Blockchain" shall mean a cryptographically secured digital ledger or database that:

(a) functions as a mathematically verifiable, consensus-based mechanism for maintaining a single version of a digital record across multiple computers or nodes; and

(b) uses a distributed ledger technology, or other similar technology, that is maintained by a decentralized network or participants who validate and record transactions through a predetermined consensus mechanism; and

11. "Private key" shall mean a cryptographic secret key that:

(a) is mathematically related to a corresponding public key through an asymmetric cryptographic algorithm;

(b) enables the cryptographic proof of control over specific virtual tokens recorded on a blockchain;

(c) when applied to a digital signature algorithm, demonstrates ownership or control of specific virtual tokens or blockchain addresses; and

(d) is designed to remain solely in the possession of the owner of the associated virtual tokens.

§ 191.05 Penalties.

Any person, partnership, corporation, company, trust or association, developer, or any agent or employee thereof who violates the provisions of this article shall be subject to a civil fine of not more than five million dollars or imprisoned not more than twenty years, or both, except that where such a person is a person other than a natural person, a fine not exceeding twenty-five million dollars.

§ 191.10 Virtual token fraud.

A person, whether natural or otherwise, is guilty of virtual token fraud when such person engages in deceptive or fraudulent practice with the intent to deceive another in relation to the purchase, sale, exchange, transfer, offering, storage, destruction, or any relevant act related thereto of virtual tokens.

§ 191.15 Illegal rug pulls.

A developer, whether natural or otherwise, is guilty of illegal rug pulls when such developer commits a rug pull, as defined in subdivision nine of section 191.00 of this article.

§ 191.20 Private key fraud.

1. A person, whether natural or otherwise, is guilty of private key fraud when such person obtains or discloses to another person or misuses another's private key without their affirmative consent, provided however that where the person created the private key, such a person shall only be prohibited from disclosing to another or misusing the private key without the owner of the private key's affirmative consent.

2. Consent is deemed affirmative only where it is obtained by a request independent from any other request or information provided to another, it is conspicuous, and it informs the person of the consequences associated with disclosing their private key to another.

§ 2. This act shall take effect on the thirtieth day after it shall have become a law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.