

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:

1 Section 1. Title K of the penal law is amended by adding a new article
2 191 to read as follows:

3 ARTICLE 191
4 CRYPTO FRAUD

5 Section 191.00 Definitions.

6 191.05 Penalties.

7 191.10 Virtual token fraud.

8 191.15 Illegal rug pulls.

9 191.20 Private key fraud.

10 § 191.00 Definitions.

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

13 1. "Virtual tokens" shall mean digital assets that exist on a block-
14 chain;

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

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

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

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

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

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

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

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

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

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

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

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

19 5. "Fungible token" shall mean any virtual token stored on the block-
20 chain other than non-fungible tokens;

21 6. "Own", "owning" and "ownership" shall mean the means by which
22 possession of a digital asset is noted on the blockchain or any deriva-
23 tive means thereof;

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

26 8. "Burning" shall mean any method of someone making tokens inaccessi-
27 ble to any person including themselves with the intention of doing so;

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

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

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

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

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

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

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

47 (a) functions as a mathematically verifiable, consensus-based mech-
48 anism for maintaining a single version of a digital record across multi-
49 ple computers or nodes; and

50 (b) uses a distributed ledger technology, or other similar technology,
51 that is maintained by a decentralized network or participants who vali-
52 date and record transactions through a predetermined consensus mech-
53 anism; and

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

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

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

3 (c) when applied to a digital signature algorithm, demonstrates owner-
4 ship or control of specific virtual tokens or blockchain addresses; and

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

7 § 191.05 Penalties.

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

14 § 191.10 Virtual token fraud.

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

20 § 191.15 Illegal rug pulls.

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

24 § 191.20 Private key fraud.

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

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

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