

Virtual Currency Business Regulation (NY State) USA (National/Federal) [Related Content](#)

A Practice note discussing the licencing and regulation of virtual currency businesses under New York State law.

State law regulates the licensing and activities of virtual currencies businesses (VCBs). Although regulation by each state varies, agencies are working to make more uniform the licensing requirements across states. This Note describes the VCB regulations and requirements under New York State law.

Virtual Currency Definition

Virtual currency includes any type of digital unit that is used as a medium of exchange or a form of digitally stored value. It includes digital units of exchange that:

- Have a centralized repository or administrator.
- Are decentralized and have no centralized repository or administrator.
- May be created or obtained by computing or manufacturing effort.

Virtual currency excludes:

- Digital units that:
 - are used solely within online gaming platforms;
 - have no market or application outside of the gaming platforms;
 - cannot be converted into, or redeemed for, fiat currency or virtual currency; and
 - may or may not be redeemable for real-world goods, services, discounts, or purchases.
- Digital units that can be redeemed for goods, services, discounts, or purchases as part of a customer affinity or rewards program with the issuer or other designated merchants or can be redeemed for digital units in another customer affinity or rewards program, but cannot be converted into, or redeemed for, fiat currency or virtual Currency.
- Digital units used as part of prepaid cards.

[\(23 NYCRR § 200.2\(p\).\)](#)

VCB Activities Requiring a License

Under New York State law, no person may conduct any VCB activity without first obtaining a license from the Superintendent of the New York State Department of Financial Services (NYDFS) ([23 NYCRR 200.3\(a\)](#)). No agent of a VCB may engage in VCB activity unless the agent itself is also licensed as a VCB ([23 NYCRR § 200.3\(b\)](#)).

VCB activity is any of the following business activities involving New York State or a resident of New York State:

- Receiving virtual currency for transmission or transmitting virtual currency, except where the transaction:
 - is undertaken for non-financial purposes; and
 - does not involve the transfer of more than a nominal amount of virtual currency.
- Storing, holding, or maintaining custody or control of virtual currency on behalf of others.
- Buying and selling virtual currency as a customer business.
- Performing virtual currency exchange services as a customer business.
- Controlling, administering or issuing a virtual currency.

(23 NYCRR § 200.2(q).)

Persons Exempt from Licensing Requirements

The following are exempt from the New York State virtual currency licensing requirements:

- Entities chartered under the New York Banking Law and approved by the New York State Superintendent of Financial Services to engage in VCB activity.
- Merchants and consumers that use virtual currency solely for the purchase or sale of goods or services or for investment purposes.

(23 NYCRR § 200.3(c).)

Activities Authorized Under the VCB Activities License

The New York State VCB activities authorizes the licensed entity to engage in:

- Virtual currency exchanging and trading services.
- Electronic money transmitting with virtual currencies.
- Issuing prepaid access/stored value with virtual currencies.
- Selling prepaid access/stored value with virtual currencies.

The VCB activities license does not permit the entity to engage in any of the above-listed activities with fiat currencies. Conducting these activities with fiat currencies may require the entity to obtain a New York State money transmitter license.

Application Process

An application to the Superintendent of the NYDFS to be licensed as a VCB must include:

- Information on the applicant, including name, form and date of organization, and the jurisdiction where organized.
- List of all of the applicant's affiliates, with an organization chart illustrating the applicant's relationship with its affiliates.
- Detailed biographical information for each individual applicant and each director, principal officer, principal stockholder, and principal beneficiary of the applicant. Applicant must include each individual's:
 - name;
 - physical and mailing addresses; and
 - personal history, experience, and qualification.
- Background report prepared by an independent investigatory agency for each individual applicant, and each principal officer, principal stockholder, and principal beneficiary of the applicant.

- Organization chart of the applicant and its management structure, including its principal officers or senior management, indicating lines of authority and the allocation of duties among its principal officers or senior management.
- Current financial statement for the applicant and each principal party, and a projected balance sheet and income statement for the following year of the applicant's operation.
- Description of the proposed, current, and historical business of the applicant, including:
 - details on the products and services provided and to be provided;
 - all associated website addresses;
 - the jurisdictions in which the applicant is engaged in business;
 - the applicant's principal place of business;
 - the primary market of operation;
 - the projected customer base;
 - any specific marketing targets; and
 - the physical address of any operation in New York.
- Details of all banking arrangements.
- All required written policies and procedures.
- Affidavit describing any pending or threatened administrative, civil, or criminal action, litigation, or proceeding before any governmental agency, court, or arbitration tribunal against the applicant or any of its principal parties.
- Verification from the New York State Department of Taxation and Finance that the applicant is compliant with all New York State tax obligations.
- Copy of any insurance policies maintained for the benefit of the applicant, its directors or officers, or its customers.
- Explanation of the methodology used to calculate the value of virtual currency in fiat currency.
- Any other additional information as the superintendent may require.

(23 NYCRR § 200.4.)

The application also requires a filing fee of \$5,000 as well as fingerprints, photographs, and releases from the applicant and principal parties (23 NYCRR § 200.5).

If the application is deemed complete, the Superintendent of the NYDFS will either deny or approve the application within 90 of having received the completed application (23 NYCRR § 200.6(b)).

Compliance Requirements

Each licensed VCB must have appropriate compliance measures in effect, including:

- Designating a qualified individual or individuals responsible for coordinating and monitoring compliance with the NY State VCB requirements and all other applicable federal and state laws, rules, and regulations.
- Maintaining and enforcing all required written compliance policies, including policies addressing:
 - Anti-fraud.
 - Anti-money laundering.
 - Cyber security.
 - Privacy and information security.

Compliance policies must be reviewed and approved by the VCB's board of directors.

([23 NYCRR § 200.7.](#))

Capital and Custodial Requirements

VCBs are required at all time to meet the capital requirements imposed on them by the Superintendent of the NYDFS. Capital must be held in the form of the form of cash, virtual currency, or high-quality, highly liquid, investment-grade assets, in a proportion acceptable to the Superintendent.

Capital requirements are determined based on the Superintendent's assessment of the business's specific risks, taking into account factors such as:

- The composition of its total assets, including the position, size, liquidity, risk exposure, and price volatility of each type of asset.
- The composition of its total liabilities, including the size and repayment timing of each type of liability.
- The actual and expected volume of its activity.
- whether it is already licensed or regulated by the superintendent under New York State's Financial Services Law, Banking Law, or Insurance Law, or otherwise subject to such laws as a provider of a financial product or service.
- Whether the VCB is in good standing with its applicable regulators.
- The amount of leverage employed.
- The VCB's liquidity position.
- The financial protection that the VCB provides for its customers through its trust account or bond.
- The types of entities serviced.
- The types of products or services to be offered.

([23 NYCRR § 200.8.](#))

The VCB must also maintain a surety bond or trust account in US dollars for the benefit of its customers in a form and amount as is acceptable to the Superintendent for the protection of the business's customers ([23 NYCRR § 200.8](#)).

Change in Business Plan or Control of VCB

A VCB must first obtain prior written approval from the Superintendent of the NYDFS before:

- Introducing a materially new product, service, or activity that involves New York or New York residents.
- Making a material change to an existing product, service, or activity that involves New York or New York residents.

An application for written approval should include:

- A written plan describing the proposed materially new product, service, or activity, or the proposed material change.
- A detailed description of the business operations, compliance policies, and the impact on the overall business.
- Any other information requested by the Superintendent.

Examples of where a materially new product, service, or activity or change may occur include where the proposal:

- Raises legal or regulatory issues about the permissibility of the product, service, or activity.
- Raises safety and soundness or operational concerns.
- Causes an existing product, service, or activity to be materially different from that previously listed on the application for licensing.

([23 NYCRR § 200.10.](#))

A VCB must also obtain the prior written approval of the Superintendent before it may take any action that would result in a change of control of the business (See [23 NYCRR § 200.11](#)).

Recordkeeping Requirements

Each VCB must keep all books and records relating to its VCB activity for at least seven years and have them in a condition allowing for their review by the NYDFS.

Books and records must be kept, at minimum for the following:

- Records of each virtual currency transaction, including:
 - the amount, date, and precise time of the transaction;
 - payment instructions;
 - the total amount of fees and charges received and paid to, by, or on behalf of the VCB; and
 - the names, account numbers, and physical addresses of the parties to the transaction that are customers or accountholders, as well as any other parties to the transaction.
- A general ledger containing all asset, liability, ownership equity, income, and expense accounts.
- Bank statements and bank reconciliation records.
- Any statements or valuations sent or provided to customers and counterparties.
- Records or minutes of meetings of the board of directors or an equivalent governing body.
- Records demonstrating compliance with applicable state and federal anti-money laundering laws, including customer identification and verification documents, records linking customers to their respective accounts and balances, and a record of all compliance breaches.
- Communications and documentation related to investigations of customer complaints and transaction error resolution or concerning facts giving rise to possible violations of laws, rules, or regulations.
- Any other records required to be maintained in accordance with NYDFS's VCB regulation or that the NYDFS may otherwise require.

Records of non-completed, outstanding, or inactive virtual currency accounts or transactions must also be maintained for at least five years after the time it has been deemed, under the Abandoned Property Law, to be abandoned property. ([23 NYCRR § 200.12.](#))

Periodic Examinations

VCBs are subject to periodic (at least every two years) examinations by the NYDFS. The purpose of the examinations is to determine the VCB's:

- Financial condition.
- Safety and soundness condition.
- Managerial policies.
- Compliance with all applicable laws, rules, and regulations.

The NYDFS may also examine any other matters, including activities outside of New York State, if it deems that they may affect the entity's VCB activity.

For purposes of allowing the NYDFS to examine its business, the VCB must:

- Permit and assist the NYDFS at any time to examine all of its facilities, books, records, accounts, documents, and other information.
- Allow the NYDFS to make any special investigations it deems necessary to determine legal compliance.
- Allow the NYDFS to examine any affiliate its business.

([23 NYCRR § 200.13.](#))

Reports and Financial Disclosures

Each VCB is subject to specific reporting requirements and must also submit to the NYDFS quarterly and annual financial statements.

Quarterly Financial Statements

Quarterly financial statements must be submitted within 45 days following the close of each fiscal quarter. Quarterly financials must include at minimum:

- A statement of the VCB's financial condition, including:
 - balance sheet;
 - income statement;
 - statement of comprehensive income;
 - statement of change in ownership equity;
 - cash flow statement; and
 - statement of net liquid assets.
- A statement demonstrating compliance with any financial requirements under the NYDFS's virtual currency regulations.
- Financial projections and strategic business plans.
- A list of all off-balance sheet items.
- A chart of accounts, including a description of each account.
- A report of any permissible investments made by the VCB.

(23 NYCRR § 200.14(a).)

Annual Financial Statements

Annual audited financial statement must be submitted together with an opinion and an attestation by an independent certified public accountant on the effectiveness of the VCB's internal control structure.

Annual financial statements must include:

- A statement of management's responsibilities for:
 - preparing the VCB's annual financial statements; and
 - establishing and maintaining adequate internal controls and procedures for financial reporting; and
 - complying with all applicable laws, rules, and regulations.
- An assessment by management of the VCB's compliance with applicable laws, rules, and regulations during the fiscal year covered by the financial statements.
- Certification of the financial statements by an officer or director of the VCB attesting to the truth and correctness of those statements.

(23 NYCRR § 200.14(b).)

Reporting Requirements

VCBs must notify the NYDFS in writing of any:

- Criminal action or insolvency proceeding against the VCB or any of its directors, principal stockholders, principal officers, or principal beneficiaries.
- Proposed change to the methodology used to calculate the value of virtual currency in fiat currency.

VCBs must also submit:

- A report to the NYDFS immediately on the discovery of any violation or breach of law, rule, or regulation related to the conduct of VCB activity.

- Any additional special reports requested by the NYDFS.

(23 NYCRR § 200.14.)

AML Program

Setting Up AML Program

Each VCB must:

- Conduct an initial risk assessment that will consider legal, compliance, financial, and reputational risks associated with its activities, services, customers, counterparties, and geographic location.
- Set up, maintain, and enforce an AML program based on that risk assessment.
- Conduct additional annual assessments (or more frequently as risks change) and make any appropriate modifications to its AML program.

(23 NYCRR § 200.15(b).)

Components of AML Program

The AML program must, at minimum:

- Provide for a system of internal controls, policies, and procedures designed to ensure ongoing compliance with all applicable AML requirements.
- Provide for annual independent compliance and effectiveness testing program:
 - conducted by qualified internal personnel, who are not responsible for the design, installation, maintenance, or operation of the program, or the policies and procedures that guide its operation, or a qualified external party; and
 - summarize the findings in a written report submitted to the NYDFS.
- Designate a qualified individual or individuals in compliance responsible for coordinating and monitoring day-to-day compliance with the program.
- Provide ongoing training for appropriate personnel to ensure they have a complete understanding of AML requirements and to enable them to identify transactions required to be reported and maintain required records.

(23 NYCRR § 200.15(c).)

Written AML Policy

The VCB's AML program must include a written AML policy that is reviewed and approved by the VCB's board of directors (23 NYCRR § 200.15(d)).

Reports and Recordkeeping

As part of their AML requirements, VCBs must maintain records and make reports as follows:

- **Records of virtual currency transactions.** For all virtual currency transactions involving the payment, receipt, exchange, conversion, purchase, sale, transfer, or transmission of virtual currency, the VCB must keep in its records:
 - the identity and physical addresses of the parties to the transaction that are customers or accountholders of the VCB and, to the extent practicable, any other parties to the transaction;
 - the amount or value of the transaction, including in what denomination purchased, sold, or transferred;
 - the method of payment;
 - the date on which the transaction was initiated and completed; and
 - a description of the transaction.
- **Reports on transactions.** When a VCB is involved in a virtual currency to virtual currency transaction or series of such transactions that are not subject to currency transaction reporting requirements under federal law, in a total amount exceeding US \$10,000 in one day, by one person, the

VCB must notify the NYDFS within 24 hours.

- **Suspicious activity monitoring.** VCBs must monitor for transactions that might signify money laundering, tax evasion, or other illegal or criminal activity, including:
 - filing required Suspicious Activity Reports (SARs) under federal law (see [Practice Note, Suspicious Activity Reporting Requirements for Financial Institutions.](#))
 - if not subject to federal SARs requirements, filing with the NYDFS reports of transactions that indicate a possible violation of law or regulation within 30 days from the detection of the facts that constitute a need for filing. Continuing suspicious activity must be reviewed on an ongoing basis and a suspicious activity report must be filed within 120 days of the last filing describing continuing activity.

(23 NYCRR § 200.15(d).)

No Evasion or Concealment

VCBs are prohibited from:

- Structuring transactions, or assisting in the structuring of transactions, to evade reporting requirements.
- Facilitating, or knowingly allowing the transfer of virtual currency when this will obfuscate or conceal the identity of an individual customer or counterparty.

(23 NYCRR § 200.15(e),(f).)

Customer Identification Program

VCBs must maintain a customer identification program, which includes:

- **Identifying and verifying account holders.** When opening a new account, or establishing a service relationship with a customer, the VCB must, at a minimum:
 - verify the customer's identity, to the extent reasonable and practicable;
 - maintain records of the information used to verify the customer's identity, including name, physical address, and other identifying information;
 - check customers against the Specially Designated Nationals list maintained by OFAC (see [Practice Note, US Anti-Money Laundering and Trade Sanctions Rules for Financial Institutions](#)); and
 - conduct enhanced due diligence where additional factors exist, such as for high risk customers, high-volume accounts, or accounts on which a SAR has been filed.
- **Enhanced due diligence for foreign persons.** VCBs that maintain accounts must establish enhanced due diligence policies, procedures, and controls for foreign accounts to detect money laundering, including assessing the risk presented by the accounts based on:
 - the nature of the foreign business;
 - the type and purpose of the activity; and
 - the applicable AML and supervisory regime of the foreign jurisdiction.
- **No accounts with foreign shell entities.** VCBs may not maintain relationships of any type with entities that do not have a physical presence in any country.
- **Required identification for large transactions.** For any transaction with a value of \$3,000 or more, the VCB must require verification of the identity of any accountholder initiating the transaction.

(23 NYCRR § 200.15(h).)

OFAC Compliance

VCBs must demonstrate to the NYDFS that they have risk-based policies, procedures, and practices to ensure to the maximum extent practicable compliance with applicable OFAC regulations (23 NYCRR § 200.15(i); see [Practice Note, US Anti-Money Laundering and Trade Sanctions Rules for](#)

[Financial Institutions](#)).

Blocking Impermissible Transactions

VCBs must have in place appropriate policies and procedures to block or reject specific or impermissible transactions that violate federal or state laws, rules, or regulations ([23 NYCRR § 200.15\(j\)](#)).

Responsibilities of Designated AML Officers

Individuals designated responsibility for coordinating and monitoring the VCB's day-to-day AML compliance must at minimum:

- Monitor changes in AML requirements, including updated OFAC and Specially Designated Nationals lists, and update the program accordingly.
- Maintain all required records.
- Review all required filings before submission.
- Escalate matters to the board of directors, senior management, or appropriate governing body and seek outside counsel, as appropriate.
- Provide periodic reporting, at least annually, to the board of directors, senior management, or appropriate governing body.
- Ensure compliance with relevant training requirements.

([23 NYCRR § 200.15\(k\)](#).)

Cybersecurity Program

VCBs must establish and maintain a cyber security program to ensure the availability and functionality of their electronic systems and to protect those systems and any sensitive data stored from unauthorized access, use, or tampering.

Core Functions of the Cyber Security Program

The cyber security program must be designed to perform the following five core cyber security functions:

- Identify internal and external cyber risks by, at a minimum, identifying:
 - the information stored on the VCB's systems;
 - the sensitivity of this information; and
 - how and by whom the information may be accessed.
- Protect the VCB's electronic systems and the information stored on those systems from unauthorized access, use, or other malicious acts through the use of defensive infrastructure and the implementation of policies and procedures.
- Detect systems intrusions, data breaches, unauthorized access to systems or information, malware, and other cyber security events.
- Respond to detected cyber security events to mitigate any negative effects.
- Recover from Cyber Security Events and restore normal operations and services.

([23 NYCRR § 200.16\(a\)](#).)

Written Cyber Security Policy

VCBs must set up a written cyber security policy that sets out its policies and procedures for the protection of its electronic systems and customer and counterparty data stored on those systems. The policy must be reviewed and approved annually by the VCB's board of directors.

The written cyber security policy must address:

- Information security.
- Data governance and classification.

- Access controls.
- Business continuity and disaster recovery planning and resources.
- Capacity and performance planning.
- Systems operations and availability concerns.
- Systems and network security.
- Systems and application development and quality assurance.
- Physical security and environmental controls.
- Customer data privacy.
- Vendor and third-party service provider management.
- Monitoring and implementing changes to core protocols not directly controlled by the VCB, as applicable.
- Incident response.

(23 NYCRR § 200.16(b).)

Chief Information Security Officer

A VCB must designate a qualified employee to serve as its Chief Information Security Officer who is responsible for:

- Overseeing and implementing VCB's cyber security program.
- Enforcing its cyber security policy.

(23 NYCRR § 200.16(c).)

Reporting

VCBs must submit to the NYDFS an annual report that identifies and assesses:

- the availability, functionality, and integrity of the its electronic systems.
- relevant cyber risks.
- The VCB's cyber security program.

The report must also propose steps for the redress of any identified inadequacies. The annual report must be prepared by the VCB's Chief Information Security Officer and presented to its board of directors. (23 NYCRR § 200.16(d).)

Audit

The VCB's cyber security program must, at a minimum, include the following audit functions:

- Penetration testing. VCBs must annually conduct penetration testing of its electronic systems as well as vulnerability assessment of those systems at least quarterly.
- Audit trail. VCBs must maintain audit trail systems that:
 - track and maintain data that allows for the complete and accurate reconstruction of all financial transactions and accounting;
 - protect the integrity of data stored and maintained as part of the audit trail from alteration or tampering;
 - protect the integrity of hardware from alteration or tampering, including by limiting electronic and physical access permissions to hardware and maintaining logs of physical access to hardware that allows for event reconstruction;
 - log system events including, at minimum, access and alterations made to the audit trail systems by the systems or by an authorized user, and all system administrator functions performed on the systems; and

- maintain records produced as part of the audit trail in accordance with the VCB's recordkeeping requirements.

(23 NYCRR § 200.16(e).)

Application Security

The VCB's cyber security program must, at minimum, include written procedures, guidelines, and standards reasonably designed to ensure the security of all applications utilized by the VCB. They must be reviewed, assessed, and updated by the VCB's Chief Information Security Officer at least annually. (23 NYCRR § 200.16(f).)

Personnel and Intelligence

Each VCB must:

- Employ cyber security personnel adequate to manage its cyber security risks and to perform its core cyber security functions.
- Provide and require cyber security personnel to attend regular cyber security update and training sessions.
- Require key cyber security personnel to take steps to stay abreast of changing cyber security threats and countermeasures.

(23 NYCRR § 200.16(g).)

Business Continuity and Disaster Recovery

VCBs must establish and maintain a written business continuity and disaster recovery plan designed to ensure the availability and functionality of the VCB's services in the event of an emergency or other disruption to normal business activities. The plan must, at minimum:

- Identify documents, data, facilities, infrastructure, personnel, and competencies essential to the continued operations of the VCB's business.
- Identify the supervisory personnel responsible for implementing each aspect of the BCDR plan.
- Include a plan to communicate with essential persons in the event of an emergency or other disruption to the operations of the VCB, including employees, counterparties, regulatory authorities, data and communication providers, disaster recovery specialists, and any other persons essential to the recovery of documentation and data and the resumption of operations.
- Include procedures for the maintenance of back-up facilities, systems, and infrastructure as well as alternative staffing and other resources to enable the timely recovery of data and documentation and to resume operations as soon as reasonably possible following a disruption to normal business activities.
- Include procedures for the back-up or copying, with sufficient frequency, of documents and data essential to the operations of the VCB and storing of the information off site.
- Identify third parties that are necessary to the continued operations of the VCB's business.

Each VCB must:

- Distribute a copy of the plan and any revisions to all relevant employees.
- Maintain copies of the plan at one or more accessible off-site locations.
- Provide relevant training to all employees responsible for implementing the plan on their roles and responsibilities.
- Promptly notify the NYDFS of any emergency or other disruption to its operations that may affect its ability to fulfill regulatory obligations or that may have a significant adverse effect on the VCB, its counterparties, or the market.
- Have the plan tested at least annually by qualified, independent internal personnel or a qualified third party, and revised where necessary.

(23 NYCRR § 200.17.)

Advertising and Marketing

VCBs must:

- Include their name and the legend indicating it is "Licensed to engage in VCB Activity by the New York State Department of Financial Services," in every advertisement of its products, services, or activities in New York or to New York Residents.
- Maintain for examination by the NYDFS all advertising and marketing materials for at least seven years from the date of their creation, including all:
 - print media;
 - internet media (including websites);
 - radio and television advertising;
 - road show materials;
 - presentations; and
 - brochures.
- Maintain hard copy, website captures of material changes to internet advertising and marketing, and audio and video scripts of any advertising and marketing materials.
- In all advertising and marketing materials:
 - comply with all disclosure requirements under federal and state laws, rules, and regulations;
 - not, either directly or by implication, make any false, misleading, or deceptive representations or omissions.

(23 NYCRR 200.18.)

Consumer Protection

When setting up a customer relationship, prior to entering into any transactions, the VCB must disclose in clear, conspicuous, and legible writing in the English language and in any other predominant language spoken by the customers of the VCB:

- All material risks associated with the VCB's products, services, and activities and virtual currency generally.
- All relevant terms and conditions associated with the VCB's products, services, and activities.

VCBs must ensure that all required are acknowledged as received by customers.

Disclosure of Material Risks

Disclosure of material risks must include, at minimum:

- Virtual Currency is not legal tender, is not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections.
- Legislative and regulatory changes or actions at the state, federal, or international level may adversely affect the use, transfer, exchange, and value of virtual currency.
- Transactions in virtual currency may be irreversible, and losses due to fraudulent or accidental transactions may not be recoverable.
- Some virtual currency transactions shall be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that the customer initiates the transaction.
- The value of virtual currency may be derived from the continued willingness of market participants to exchange fiat currency for virtual currency. This may result in the potential for permanent and total loss of value of a virtual currency if the market for that currency disappears.
- A person who accepts a virtual currency as payment today might not continue to do so in the future.
- The volatility and unpredictability of the price of virtual currency relative to fiat currency may result in significant loss over a short period of time.
- The nature of virtual currency may lead to an increased risk of fraud or cyber attack.
- Any technological difficulties experienced by the VCB may prevent the access or use of a customer's virtual currency.

- Any bond or trust account maintained by the VCB for the benefit of its customers may not be sufficient to cover all losses incurred by customers.

(23 NYCRR § 200.19(a).)

Disclosure of General Terms and Conditions

Disclosure of applicable terms and conditions must include, at minimum:

- The customer's liability for unauthorized virtual currency transactions.
- Under what circumstances the VCB will, absent a court or government order, disclose information concerning the customer's account to third parties.
- The customer's right to:
 - stop payment of a preauthorized virtual currency transfer (and the procedure to initiate a stop-payment order);
 - receive periodic account statements and valuations from the VCB;
 - receive a receipt, trade ticket, or other evidence of a transaction; and
 - prior notice of a change in the VCB's rules or policies.
- Any other disclosures that are customarily given in connection with the opening of customer accounts.

(23 NYCRR § 200.19(b).)

Disclosures of the Transaction Terms

Disclosure of the applicable terms and conditions of each transaction must include at minimum:

- Transaction amount.
- Fees, expenses, and charges borne by the customer, including applicable exchange rates.
- The type and nature of the virtual currency transaction.
- A warning that once executed the transaction may not be undone.
- Any other disclosures as are customarily given in connection with a transaction of this nature.

(23 NYCRR § 200.19(c).)

Receipts

At the completion of each transaction, the VCB must provide to a customer a receipt containing the following information:

- Name and contact information of the VCB, including a telephone number to answer questions and register complaints.
- Type, value, date, and precise time of the transaction.
- Fee charged.
- Exchange rate (if applicable).
- Statement of the liability of the VCB for non-delivery or delayed delivery.
- Refund policy of the VCB.
- Any additional information the NYDFS may require.

(23 NYCRR § 200.19(e).)

VCBs must make available to the NYDFS, on request, the form of the receipts it provides to customers (23 NYCRR § 200.19(f)).

Fraud Prevention and Anti-Fraud Policy

VCBs must take reasonable steps to detect and prevent fraud, including by establishing and maintaining a written anti-fraud policy.

The anti-fraud policy must, at minimum, include:

- The identification and assessment of fraud-related risk areas.
- Procedures and controls to protect against identified risks.
- Allocation of responsibility for monitoring risks.
- Procedures for the periodic evaluation and revision of the anti-fraud procedures, controls, and monitoring mechanisms.

(23 NYCRR § 200.19(g).)

Complaints

With respect to handling customer complaints, VCBs must:

- Establish and maintain written policies and procedures to fairly and timely resolve complaints.
- Provide, in a clear and conspicuous manner, on its website or websites, in all physical locations, and in any other prescribed location:
 - the VCB's mailing address, email address, and telephone number for the receipt of complaints;
 - a statement that the complainant may also bring his or her complaint to the attention of the NYDFS;
 - the NYDF's mailing address, website, and telephone number; and
 - any other information as the superintendent may require.
- Report to the NYDFS any change in the VCB's complaint policies or procedures within seven days.

(23 NYCRR § 200.20.)

PRODUCTS

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