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News

## Two Stable Cryptocurrencies Are Approved by NY Regulator

Gemini Trust Co.'s price-stable cryptocurrency has been approved by New York regulators. Paxos Trust Co. also was approved to offer a “stablecoin” pegged to the U.S. dollar, the Department of Financial Services announced.

By MP McQueen | September 10, 2018 at 01:18 PM



*Maria Vullo of the New York state Department of Financial Services. Photo: Rick Kopstein*

Digital asset exchange Gemini Trust Co. co-founder and chief executive officer Tyler Winklevoss announced on Monday that its price-stable cryptocurrency has been approved by New York regulators.

Paxos Trust Co. also was approved to offer a “stablecoin” pegged to the U.S. dollar, the Department of Financial Services announced.

DFS Superintendent Maria Vullo said in a [news release](#), “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.”

The Gemini dollar is set to the U.S. dollar at 1:1 and would allow users to send and receive dollars on the ethereum network using ERC20 tokens.

Winklevoss said in a statement Monday: “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.”

The Paxos standard token is also collateralized 1:1 with the U.S. dollar and “every Paxos Standard token is fully backed by dollars held at U.S.-domiciled FDIC-insured banks,” said Paxos CEO and co-founder Charles Cascarilla in a [statement on the company’s website](#).

Gary De Waal, special counsel at [Katten Muchin Rosenman](#) in New York, who advises clients on developing laws and regulations around cryptocurrencies, said in an email Monday afternoon that, “DFS’ approval for Gemini Trust and Paxos Trust to offer price-stable cryptocurrencies is very exciting and could make it more likely for blockchain technology to be used to facilitate payments for goods and services. Potentially merchants accepting these coins for transactions will not have to worry about immediately selling the digital tokens after receipt to protect against a decline in their price. They can have confidence that they can redeem these stablecoins for \$1/each with a NYS-licensed trust company subject to prudential regulations. Payments can be made virtually instantly, 24/7 without regard to bank holidays on the ethereum blockchain in support of purchases. This will provide another payment alternative that blockchain enthusiasts will enjoy outside of traditional means.” He said he doesn’t represent either company.

As part of the conditions for approving the new products, the financial services department required the companies to ensure that the stablecoins are fully exchangeable for a U.S dollar with conditions for monitoring and recordkeeping.

DFS also required them to “implement, monitor and update effective risk-based controls” to prevent the Gemini Dollar or Paxos Standard token from being used for money laundering or terrorist financing, and to “prevent and respond to any potential or actual wrongful use of stablecoin” in “illegal activity, market manipulation or other

similar misconduct, as required by DFS's [Guidance on Prevention of Market Manipulation and Other Wrongful Activity](#) issued in February 2018.

New York regulators also required the companies to comply with DFS regulations for transaction monitoring and cybersecurity.

The department also demanded that both companies post terms and conditions prominently on their websites and establish policies and procedures for consumer protection and addressing consumer complaints. Paxos and Gemini are subject to charter revocation and other regulatory or enforcement actions for failing to comply with any of the provisions of the regulatory approval.

DFS issued a limited purpose trust company charter to Gemini in October 2015. The department issued a limited purpose trust company charter to itBit, now Paxos Trust, operator of the itBit exchange in May 2015 to buy, sell, send, receive and store virtual currency.

In other cryptocurrency news, the U.S. Securities and Exchange Commission said Sunday that it has suspended trading in two products tracking cryptocurrencies, saying there is confusion in the financial markets as to whether the products were exchange-traded funds (ETFs). The SEC said trading in [Bitcoin Tracker One and Ether Tracker One](#) would be suspended in the U.S. until at least Sept. 20.

The SEC in July reaffirmed an earlier decision to [reject an ETF proposed](#) by Gemini Trust and the Winklevoss brothers, Tyler and Cameron, that would have been tied to bitcoin, citing worries about market manipulation.

*This article has been updated with comment from Special Counsel Gary De Waal at Katten Muchin Rosenman.*

## **Read more:**

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[Blockchain Tech is \(Finally\) Taking Shape in the Financial Industry](#)

[SEC Again Rejects Bitcoin ETF Proposal by Winklevoss Twins](#)

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