

Attorney General James Continues Crackdown on Unregistered Cryptocurrency Platforms

AG James Sues KuCoin for Allowing Investors in New York to Buy and Sell Crypto without Registering with the State

Lawsuit Marks AG James' Eighth Action to Rein in Shadowy Cryptocurrency Platforms

NEW YORK – New York Attorney General Letitia James today continued her efforts to crack down on unregistered cryptocurrency platforms by [filing a lawsuit against KuCoin for failing to register as a securities and commodities broker-dealer and falsely representing itself as an exchange](#). The Office of the Attorney General (OAG) was able to buy and sell cryptocurrencies on KuCoin in New York even though the company is not registered in the state. Through this enforcement action, Attorney General James seeks to stop KuCoin from operating in New York and to block access to its website until it complies with the law. Today's action is the latest in Attorney General James' efforts to rein in cryptocurrency platforms.

"One by one my office is taking action against cryptocurrency companies that are brazenly disregarding our laws and putting investors at risk," said **Attorney General James**. "Today's action is the latest in our efforts to rein in shadowy cryptocurrency companies and bring order to the industry. All New Yorkers and all companies operating in New York have to follow our state's laws and regulations. KuCoin operated in New York without registration and that is why we are taking strong action to hold them accountable and protect investors."

KuCoin is a virtual currency trading platform that allows investors to buy and sell cryptocurrency through its website and app. On its platform, KuCoin investors can buy and sell popular virtual currencies, including ETH, LUNA, and TerraUSD (UST), which are securities and commodities. This action is one of the first times a regulator is claiming in court that ETH, one of the largest cryptocurrencies available, is a security. The petition argues that ETH, just like LUNA and UST, is a speculative asset that relies on the efforts of third-party developers in order to provide profit to the holders of ETH. Because of that, KuCoin was required to register before selling ETH, LUNA, or UST.

KuCoin also sells unregistered securities in the form of KuCoin Earn, its lending and staking product. New York law requires securities and commodities brokers to register with the state, which KuCoin failed to do. The OAG was able to create an account with KuCoin using a computer with a New York based IP address and buy and sell digital tokens, for which KuCoin

charged a fee. The OAG was also able to deposit digital tokens into the KuCoin Earn product, for which KuCoin also charged a fee.

In addition, KuCoin claimed to be an exchange, but is not registered with the Securities and Exchange Commission as a national securities exchange or appropriately designated by the Commodity Futures Trading Commission as is required under New York Law. KuCoin also failed to comply with a subpoena issued by OAG to provide more information about its digital asset trading activities in the state. KuCoin has already been found to be operating without proper licensure in multiple jurisdictions including the Seychelles, Canada, and the Netherlands.


Through her lawsuit, Attorney General James seeks a court order that stops KuCoin from misrepresenting that it is an exchange, prevents the company from operating in New York, and directs KuCoin to implement geo-blocking based on IP addresses and GPS location to prevent access to KuCoin's mobile app, website, and services from New York.

This lawsuit continues Attorney General James' efforts to enforce New York laws in the cryptocurrency industry and protect New York investors. Last month, Attorney General James [brought action against CoinEx for similarly failing to register as a securities and commodities broker](#). In January, Attorney General James and a multistate coalition [recovered \\$24 million from the cryptocurrency platform Nexo](#) for operating illegally and [sued the former CEO of Celsius for defrauding investors](#) and concealing the company's dire financial condition. In June 2022, Attorney General James [warned New Yorkers of the dangerous risks](#) of investing in cryptocurrencies after the market reached then-record lows. Also in June, Attorney General James reached a nearly [\\$1 million settlement with crypto platform BlockFi Lending LLC](#) for offering unregistered securities. Last March, Attorney General James [issued a taxpayer notice to virtual currency investors](#) and their tax advisors to accurately declare and pay taxes on their virtual investments. In October 2021, Attorney General James [directed unregistered crypto lending platforms](#) to cease operations for not registering with the state.

Attorney General James once again urges New Yorkers who have been affected by deceptive conduct in the virtual assets market to [report these issues to OAG](#). Attorney General James also encourages workers in the cryptocurrency industry who may have witnessed misconduct or fraud to file a [whistleblower complaint with her office](#), which can be done anonymously.

The case is being handled by Assistant Attorney General John Ruth of the Investor Protection Bureau, with assistance from Legal Assistants Charmaine Blake and Edward Jaffe, and Detective Investigator Brian Metz of the Investigations Division. The Investor Protection Bureau is led by Bureau Chief Shamiso Maswoswe and Deputy Bureau Chief Kenneth Haim and is a part of the Division for Economic Justice, which is overseen by Chief Deputy Attorney General Chris D'Angelo and First Deputy Attorney General Jennifer Levy.

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