

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 305

Finance

(Senators Beidle and Hettleman)

Economic Matters

Financial Institutions and Activities - Virtual Currency Kiosks - Registration and Regulation

This bill establishes a regulatory framework for “virtual currency kiosks” and their operators to do business in the State. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund revenues increase by an estimated \$84,000 annually beginning in FY 2026; revenues may vary to the extent the number of kiosk operators and kiosks varies from current estimates. The Office of Financial Regulation (OFR) can otherwise implement the bill with existing budgeted resources.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000
Expenditure	0	0	0	0	0
Net Effect	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful for virtual currency kiosk operators.

Analysis

Bill Summary:

Definitions

“Virtual currency” means a digital representation of value that is used as a medium of exchange, unit of account, or store of value and is not currency, as specified. “Virtual currency” does not include:

- a digital representation of value that can be redeemed for (1) goods, services, discounts, or purchases, as specified or (2) digital units in another customer affinity or reward program, as specified; or
- a digital representation of value issued by or on behalf of a publisher, as specified.

“Virtual currency kiosk” means a stand-alone automated platform through which a consumer may deposit or receive cash or use a credit or debit card to obtain virtual currency services. “Virtual currency kiosk” does not include an automated teller machine.

“Virtual currency kiosk operator” or “operator” means a person who owns or operates a virtual currency kiosk in the State.

“Virtual currency service” means the conversion of a virtual currency to another form of virtual currency or the purchase, sale, exchange, swap, or transfer of virtual currency by any means. Virtual currency service includes any other activity that the Commissioner of Financial Regulation identifies as a virtual currency service by regulation. Virtual currency service does not include money transmission, as specified.

“New user” means a person that is transacting with a virtual currency kiosk operator for the first time or any time in the 72 hours immediately following the person’s first transaction with the virtual currency kiosk operator.

“Experienced user” means a person that is not a new user.

License and Registration of a Virtual Currency Kiosk

Beginning January 1, 2026, a virtual currency kiosk operator must register a kiosk with the Commissioner of Financial Regulation to operate in the State. The registration application must include (1) the name and address of the virtual currency kiosk operator; (2) unique identifying information for the virtual currency kiosk, as specified; (3) if the virtual currency kiosk operator intends to operate the virtual currency kiosk from any fixed location for more than 30 days in a calendar year, each physical address where the virtual currency kiosk will be operated; (4) if the virtual currency kiosk operator intends to operate the virtual currency kiosk at any location for 30 days or less in a calendar year, the geographic area where the licensee intends to operate the virtual currency kiosk; and (5) any other information the commissioner requires by regulation.

The operator must renew a license annually and may be responsible for paying a renewal fee.

The bill authorizes the Commissioner of Financial Regulation to adopt and enforce (1) registration procedures, including the use of the Nationwide Mortgage Licensing Systems (NMLS); (2) registration fees, including fees for the use of the NMLS, to be paid directly by the operator; (3) procedures and fees for renewing an operators registration, including fees for the renewed use of the NMLS, to be paid directly by the operator; (4) regulations regarding the lighting and safety of a virtual currency kiosk; and (5) regulations regarding appropriate signage to clearly identify a kiosk as a virtual currency kiosk.

Virtual Currency Transactions

A virtual current kiosk operator must ensure that a virtual currency kiosk does not accept or dispense in a single day an amount of cash, including value downloaded through prepaid access, as specified, or the equivalent in credit that exceeds \$2,000 for a new user or \$10,500 for an experienced user. An operator may not collect a fee more than \$5.00 or 15% of the amount of each virtual currency transaction, whichever is greater. A virtual currency kiosk operator must refund any fee imposed on a transaction that is verified as fraudulent in a manner established by the commissioner through regulation.

Operators must collect specified information from a person before accepting cash or credit in connection with a virtual currency transaction, including the person's (1) name; (2) date of birth; (3) mailing address; (4) email address; (5) phone number; and (6) a copy of the persons government-issued identification card.

A virtual currency kiosk operator must ensure that the virtual currency kiosk operates solely for the purpose of virtual currency services and does not operate as an automated teller machine.

At the end of a virtual currency transaction, the virtual currency kiosk operator must provide or display a receipt that includes information relating to the transaction, as specified, including a toll-free number for customer support.

Required Disclosure Statements

An operator must display on-screen disclosures before each virtual currency service transaction for a minimum amount of time, as established by the commissioner through regulation, before a customer may advance in the transaction. The disclosure must, in clear and conspicuous language, discuss all material risks generally associated with virtual currency and any other information the commissioner requires. Additionally, the bill requires operators to include in their disclosures a schedule of fees and charges a person may be assessed, the current exchange rates for each type of virtual currency eligible to be sold or purchased at the virtual currency kiosk, and the following two statements:

- Virtual currency is not money or legal tender and is not backed or insured by the government. Virtual currency accounts and value balances are not subject to any protections from the Federal Deposit Insurance Corporation, National Credit Union Administration, or Securities Investor Protection Corporation; and
- **WARNING:** Losses due to fraudulent or accidental virtual currency transactions may not be recoverable and transactions in virtual currency are irreversible. Virtual currency transactions may be used by scammers impersonating loved ones, threatening jail time, and insisting you withdraw money from your bank account to purchase virtual currency.

The operator is responsible for ensuring the disclosures require a person to acknowledge and accept each disclosure before they can receive virtual currency services.

Customer Support Requirements

A virtual currency operator must maintain live customer support that is, at a minimum, reachable by telephone at a toll-free number and available Monday through Friday between 8 a.m. and 6 p.m.

Investigative, Enforcement, and Punitive Powers of the Commissioner

The bill requires the commissioner to adopt regulations to carry out the bill. Moreover, the bill authorizes the commissioner to (1) use investigative and enforcement powers granted in State law to enforce the requirements of the bill; (2) impose penalties established in State law for violations of the bill's provisions, with certain limitations; and (3) assess a maximum civil penalty of \$1,000 for each knowing and willful violation of the bill's provisions, with each day a violation occurs to be considered a separate violation.

Current Law:

Definitions

“Automated teller machine” means any electronic information processing device located in this State which accepts or dispenses cash in connection with a credit, deposit, or convenience account. “Currency” means currency and coin of the United States or any other country. “Money transmission” means engaging in the business of selling or issuing payment instruments or prepaid access or receiving currency, funds, or other value that substitutes for currency and transferring currency, funds, or other value that substitutes for currency to another person or a location within or outside the United States by any means, including electronically, through the Internet, through a mobile application, through a network of persons, or through an informal value transfer system. “Money transmission”

includes any other activity that the commissioner identifies as money transmission by regulation.

Powers of the Commissioner

OFR regulates State-chartered and State-licensed financial institutions operating in Maryland. These include depository institutions such as Maryland-chartered banks, trust companies, bank holding companies, and credit unions, as well as nondepository entities such as money transmitters, check cashers, consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, debt settlement services providers, consumer reporting agencies, and collection agencies. The activities of the office are set out in Titles 1 through 7, 11, and 12 of the Financial Institutions Article. In addition, the office supervises certain activities found in Title 12 and Title 14 of the Commercial Law Article and Title 7 of the Business Regulation Article.

OFR may undertake investigatory examinations to determine whether a person has violated any law, regulation, rule, or order over which the office has jurisdiction. The office has authority to enforce the laws and regulations against individuals and entities that are licensed by the office, as well as those unlicensed persons that engage in an activity requiring licensure. The office may suspend or revoke a license, issue a cease-and-desist order, and impose a fine.

OFR regulates and licenses sellers of money orders and traveler's checks and those who receive money for transmission to others, known as money transmitters, operating in Maryland. Under Title 12, Subtitle 4 of the Financial Institutions Article, money transmitter services include bill payer services, accelerated mortgage payment services, informal money transfer systems outside the conventional financial institutions system, and money transmissions conducted over the Internet. First enacted in Maryland in 1959, the laws regulating money transmitters were updated in 2002 to more effectively regulate the industry. Legislation enacted in 2021 updated money transmitter regulation to include emerging forms of payment such as virtual currencies.

Nationwide Mortgage Licensing System

Maryland uses the Nationwide Mortgage Licensing System and Registry, universally known as "NMLS," for licensing and renewal of money transmitters. In fiscal 2021, there were 248 money transmitters licensed to conduct business in Maryland.

State Revenues: The bill authorizes OFR to impose a registration fee on virtual currency kiosk operators and on each kiosk, as specified. The Maryland Department of Labor (MD Labor) assumes, based on activity in other states regarding virtual currency kiosk licensing, that 12 companies and 300 kiosks require registration. The registration/renewal

fee for kiosk operators is \$2,000 (the same fee currently charged to money transmitters) and \$200 per kiosk. As all operators and kiosks must be registered by January 1, 2026, total revenues are estimated to increase by \$84,000 in fiscal 2026. Registrations must be renewed annually, so OFR's revenue is estimated to remain constant at \$84,000 in each of the out-years. To the extent that the number of operators and kiosks varies from this estimate, revenues also vary.

OFR can adopt regulations with existing resources.

Small Business Effect: A small business operating a virtual currency kiosk incurs registration and renewal fees. MD Labor advises the registration/renewal fee an operator is \$2,000, and that the registration fee for each kiosk is \$200. In addition, NMLS has a \$120 registration fee, which applies to operators who are not otherwise licensed money transmitters, and a fee of \$25 per kiosk. A small business may also incur costs associated with operating a customer support service, as required by the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

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Analysis by: Kayvon Samadani

Direct Inquiries to:
(410) 946-5510
(301) 970-5510