

February 6, 2025

**Senate Finance Committee**

**Chair: Senator Pamela Beidle**

**Senate Bill 305 – Virtual Currency ATMs and Fraud Prevention**

**Position: Favorable**

Dear Chair, Vice-Chair, and Members of the Committee,

The Office of Financial Regulation (OFR) is Maryland’s state consumer financial protection agency. OFR provides this testimony in favor of SB305, which seeks to address the risks and opportunities associated with virtual currency ATMs in Maryland. As the use of virtual currencies grows, so do concerns regarding their misuse, particularly to ensnare seniors and those in immigrant communities. OFR has been concerned about virtual currency ATM scams for some time and issued [an advisory](#) in February 2024 warning consumers about potential scams. Since that time, there have been numerous reports of virtual currency ATMs being used to facilitate criminal activity in Maryland. In adopting this bill, the Committee would set Maryland on the same path of providing oversight over virtual currency ATMs as Connecticut, Washington, and Texas. This testimony outlines the fraud risks that OFR sees as associated with virtual currency ATMs and how OFR believes that SB305 would mitigate these risks to protect consumers and the financial ecosystem.

**Risks and Fraud Possibilities with Virtual Currency ATMs**

**1. Money Laundering**

Virtual currency ATMs can facilitate money laundering by allowing criminals to convert illicit cash into cryptocurrency, which is harder to trace. This is often achieved through multiple small transactions designed to evade detection or by exploiting ATMs in jurisdictions with weak regulatory oversight. SB305 addresses this risk by requiring ATMs to collect the name, date of birth, and address of the person initiating the transaction through the ATM.

**2. Identity Fraud**

Fraudsters may use stolen identities or counterfeit documents to verify themselves at ATMs, bypassing existing security measures. Weak or non-existent Know Your Customer (KYC) protocols exacerbate this risk, allowing high-value transactions with minimal scrutiny. SB305 addresses this risk by requiring ATMs to collect the name, date of birth, and address of the person initiating the transaction through the ATM.

**3. Consumer-Targeted Scams**

Scammers frequently exploit virtual currency ATMs by coercing victims to deposit funds. The Federal Trade Commission reports that in 2023, consumers lost more than \$110 million to scams involving virtual currency ATMs and people over 60 are three times more likely to be defrauded this way. Common scams include:

- **Impersonation Scams:** Fraudsters posing as government agencies or law enforcement demand payments under threat.
- **Tech Support Scams:** Victims are manipulated into making payments for fictitious technical support services.
- **Romance Scams:** Vulnerable individuals are deceived into transferring funds under the guise of personal relationships.

SB305 addresses this risk by requiring the ATM to inform the consumer of the potential risks and the irreversible nature of these transactions.

#### **4. Fake ATMs**

Fraudsters may set up fake cryptocurrency ATMs designed to steal users' cash or personal information. These machines mimic legitimate ATMs but fail to transfer cryptocurrency or safeguard user data. SB305 addresses this risk by requiring legitimate ATMs to be registered with the Commissioner via NMLS. This will ensure consumers can review a list of registered ATMs.

#### **5. Misrepresentation of Fees and Rates**

Consumers are often unaware of the true costs associated with virtual currency ATM transactions. Fraudulent operators may impose hidden fees or misrepresent exchange rates to take advantage of users. SB305 addresses this risk by setting a limit on fees that can be charged and requiring that all fees be disclosed.

#### **Conclusion**

Senate Bill 305 represents an essential step toward mitigating the risks posed by virtual currency ATMs while fostering consumer trust and safety. By ensuring regulatory oversight and requiring that these companies register with OFR, Maryland can become a leader in ensuring the responsible use of virtual currencies while safeguarding its residents from fraud and abuse.